



## Sustainable Development Goals (SDGs)

Set by the United Nation's more than 150 member states at the UN Sustainable Development Summit 2015, held in September of the same year, the SDGs lay out 17 goals for the world to focus on with the aim of eliminating poverty and achieving global sustainability.

➔ For more information, please refer to the United Nations Sustainable Development Goals webpage below:  
<http://www.un.org/sustainabledevelopment/>

## SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD



	Initiatives	Contribution to Business	Future Challenges
<b>E</b> nvironmental	<ul style="list-style-type: none"> <li>● Reduced CO<sub>2</sub> emissions by switching to LED lighting</li> <li>● Constructed new environmentally-friendly buildings</li> <li>● Reduced exhaust gas and resources used via distribution network sharing with other companies in the industry</li> <li>● Reduced paper resources used through the digitization of instruction manuals</li> </ul>	<ul style="list-style-type: none"> <li>● Reduced costs (used less electricity, cut distribution costs)</li> </ul>	<ul style="list-style-type: none"> <li>● Increasing energy conservation at existing buildings through renovation</li> <li>● Further conserving energy in amusement facility operations</li> </ul>
<b>S</b> ocial	<p><b>Relationship with Customers</b></p> <ul style="list-style-type: none"> <li>● Compliance with the CERO ratings system</li> <li>● Formulated guidelines with industry groups</li> </ul> <p><b>Relationship with the Regional Community</b></p> <ul style="list-style-type: none"> <li>● Regional revitalization making use of Capcom content</li> <li>● Supported senior citizen community formation with video game arcade tours</li> </ul> <p><b>Relationship with Employees</b></p> <ul style="list-style-type: none"> <li>● Actively employed non-Japanese citizens</li> <li>● Increased number of women in management positions</li> <li>● Held Health and Safety Committee meetings</li> <li>● Implemented staff training</li> <li>● Implemented discretionary work system</li> </ul> <p><b>Relationship with Shareholders and Investors</b></p> <ul style="list-style-type: none"> <li>● Increased dialogue with shareholders</li> </ul>	<ul style="list-style-type: none"> <li>● Improved customer satisfaction by creating stress-free environments for play</li> <li>● Reduced social risks posed by games</li> <li>● Expanded profit opportunities by improving company and IP name recognition</li> <li>● Expanded global reach through game development based on a diverse set of values</li> <li>● Acquired competent creators</li> <li>● Improved creator productivity</li> <li>● Fostered a commitment to legal compliance</li> <li>● Evaluated proper corporate value on both financial and nonfinancial bases</li> </ul>	<ul style="list-style-type: none"> <li>● Education of manufacturers, users, consumer groups, government entities, etc.</li> <li>● Further promotion of regional revitalization using Capcom content</li> <li>● Increasing the percentage of women in management positions</li> <li>● Training of human resources globally</li> <li>● Increasing the number of opportunities for persons in charge of development to converse with the market</li> </ul>
<b>G</b> overnance	<ul style="list-style-type: none"> <li>● Transitioned to a company with an audit and supervisory committee</li> <li>● Raised the ratio of external directors</li> <li>● Established a nominating committee (voluntary)</li> </ul>	<ul style="list-style-type: none"> <li>● Avoided managerial decision-making risk through better management monitoring</li> <li>● Ensured the appropriateness of growth strategies by having the Board of Directors consider a range of views</li> <li>● Perpetuated the founder's business know-how</li> </ul>	<ul style="list-style-type: none"> <li>● The effective operation of the audit and supervisory committee company system</li> <li>● Board of Directors effectiveness assessments and their utilization</li> <li>● The setting of director remuneration with regards to medium- to long-term growth</li> </ul>

# Environmental



Capcom's Digital Contents business accounts for over 65% 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

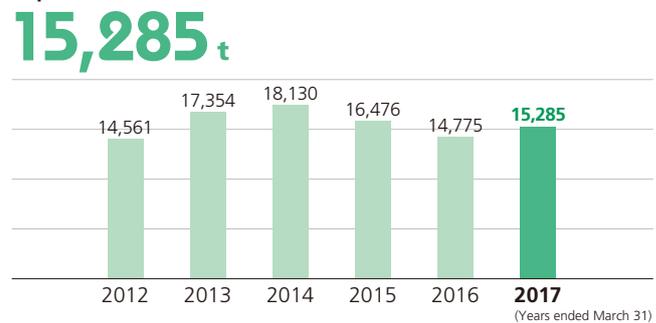
### Reducing CO<sub>2</sub> Emissions by Promoting Energy Saving Measures Companywide

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 year ended March 2012 and 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 implementing 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, as a result of having a range of energy-saving equipment, 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" Two Years in a Row by the Business Operator Class-Based Assessment System

2014 revisions to the Act on Rationalizing Energy Use, also known as the Revised Energy Conservation Act, require that companies improve energy efficiency\* by at least 1% every year. Capcom has reduced its energy intensity by at least 1% for two years in a row. For these efforts, Capcom has been awarded S Class (out of classes S, A, B, and C) status for two years running under the Business Operator Class-Based Assessment System that has been administered since

2016 by the Agency of Natural Resources and Energy in accordance with the Act on Rationalizing Energy Use (Measures Pertaining to Factories).

\* Either electricity demand based on a uniform measure in basic units or energy intensity.

FY	Energy Intensity*	Vs. Previous FY
2012	0.07412	95.9%
2013	0.07090	95.7%
2014	0.06663	94.0%
2015	0.06193	92.9%
2016	0.06018	97.2%

\* Calculated using method defined by the Agency of Natural Resources and Energy. The Agency of Natural Resources and Energy website: <http://www.enecho.meti.go.jp/en/>

**Innovations in Product Distribution**

**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.

**Paperless Instruction Manuals**

Older game consoles included a printed instruction manual inside the package, but with current game consoles, manuals are now included as data within the software as a way to save paper. This enables us to eliminate approximately 10.4 million game units' worth of paper manuals shipped annually.

**Development and Manufacturing Initiatives**

**Reducing the Environmental Impact of Pachislo Machines**

In solidarity with the efforts of the Japan Pachislot Machine Industry Association (Nichidenkyo), Capcom manufactures and sells pachislo machines partially made from recycled parts and equipped with standardized "eco functions" aimed at controlling power usage.

**Reducing the Environmental Impact of Business Machines**

In addition to ensuring that we make products which 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.



Relationship with Customers

**For the Healthy Development of Young People**

**Compliance with the CERO Rating System and Endorsement of Guidelines**

The NPO Computer Entertainment Rating Organization (CERO) 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 and 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 Guidelines	Implementation Date
Guidelines for Real Money Trade Measures	May 11, 2017
Guidelines for the Protection of Minors	January 5, 2017
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	Revised 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)

**Community Building Support for Senior Citizens**

**Regular Video Game Arcade Tours**

Today, amusement facilities are becoming increasingly popular among retired senior citizens as spaces for communication with other people. Since 2012, Capcom has held video game arcade tours on long public holidays and Respect-for-the-Aged Day for senior citizens where they can try out coin-operated games and crane games so that more people can 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, 27 staff have received this certification.

# Relationship with Regional Communities



## Contributions to Regional Revitalization

### Social Contribution Activities Using Popular Games' Appeal and Recognition

Utilizing the power of our content to capture the attention of people, Capcom is engaged in the following four regional revitalization activities: 1) Economic promotion that supports the local tourism industries; 2) cultural promotion that supports education concerning local history and culture; 3) the improvement of public order through coordination with the police; and 4) raising awareness about voting in elections in coordination with the Committee for Election Administration.

In 2016 Capcom provided support for a digital stamp rally in Kofu (Yamanashi Prefecture), a city with which Capcom entered into a Comprehensive Agreement to Promote Vitalization of the Local Economy. The rally used Capcom's characters while utilizing the city's free Wi-Fi, and was part of Capcom's efforts to help achieve regional development by 2019. We also committed energy to being a force for regional revitalization. In Wakayama Prefecture, which is working to boost tourism while drawing inspiration from a historical drama series on NHK TV, we provided a character for inclusion in a pamphlet containing Wakayama sightseeing and gourmet dining information. We also helped to develop a sightseeing guide app using a Capcom character in Hamamatsu, Shizuoka Prefecture, among other efforts. In October 2016, *Monster Hunter* series characters

#### Message from a Capcom Stakeholder

#### Yoshihiko Mochizuki

Kofu City Hall, Industry Department,  
Industrial Development Office,  
Sightseeing Section, Manager



2019 and 2021 will mark 500 years since the founding of Kofu and 500 years since the birth of Takeda Shingen (a feudal lord of the region in the Sengoku period), and will provide golden opportunities for Kofu to boost tourism. In its search for new ways to accomplish this, the city found the *Sengoku BASARA* series, in which Takeda Shingen appears as a character.

Following the comprehensive partnership agreement signed between Capcom and the city in 2015, we have held a stamp rally and launched a treasure hunting game using free Wi-Fi, opened a special website, and appointed the Shingen character as the local mascot for tourism promotion. Seeing how much fun was being had by the participants gave a real sense of the power of popular games. Both returning participants and people new to the event came in droves, with many of them asking us to do it again. The next event will see us also working with other businesses as we work to revitalize communities.

Felyne and MelynX were used for the first time in materials to promote efforts by the Osaka Prefectural Police Department to prevent the theft of valuables from unattended cars. Non-slip vehicle mats featuring the characters were distributed to promote the campaign.

## Educational Assistance as a Game Company

### Company Visits for Children and On-site Classes at Schools

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 of violent content. For example, some local municipalities have designated certain games to be harmful to the healthy development of young people. At the same time, the idea of a future career as a video game creator is very popular among children, and some schools have even begun to incorporate handheld video game consoles into the classroom in recent years.

As part of its social responsibility (CSR) efforts as a video game software producer and based around a desire to promote understanding in society of video games, Capcom accepts student visits to its offices, with a focus on elementary and junior high school students, and also actively conducts on-site classes at schools. 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 its second educational program, focused on the educational theme of career education support. In fiscal 2013, Capcom started a new class program on work and mathematics targeted towards elementary and junior high school students to help prevent children from losing interest in math, a challenge in recent years.

As a result of these efforts, Capcom has welcomed 2,722 children as part of 343 different field trips into its offices (as of the end of March 2017). Capcom has also held 119 on-site classes for 10,948 students at schools (as of March 2017) such as Ritsumeikan Primary School in Kyoto.

#### Capcom School Visit Feedback (for Part of the Fiscal Year)

- The gaming theme was met with great acclaim among students. The use of worksheets in every class would have further heightened the experience. (Middle school instructor)
- I learned that it's not good to play games too much. This is something I want to talk to my sister about because she's always playing with her cell phone at home. (Elementary school student)
- There was a different sort of twinkle in their eyes, and even children who rarely ask questions spoke up. This is something children are interested in, so it was actually a good learning experience for me, too. (After-school childcare worker)
- This was an excellent program not only because primary and middle school children of all ages were interested in the topic but also because it prompted them to talk about what they would need to do for their futures. (City hall employee)

# Relationship with Employees

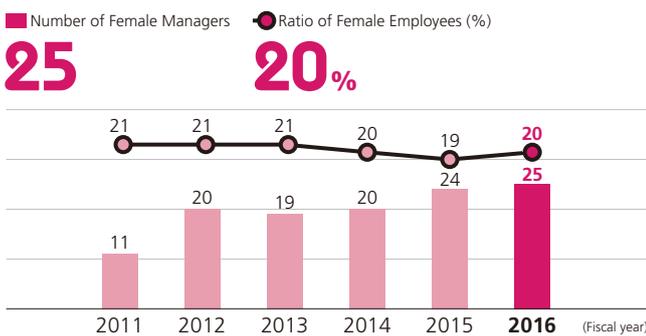


## Promotion of Diversity

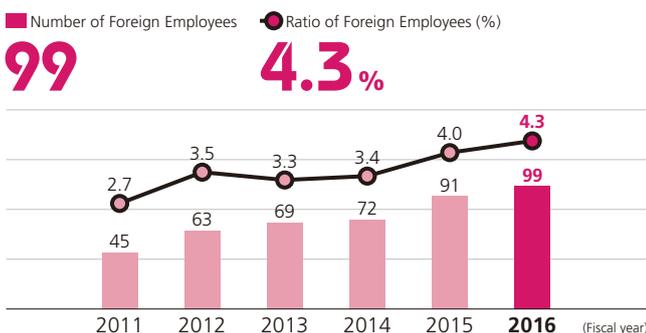
### Initiatives Aimed at Promoting an Environment for Women's Success and Proactively Hiring Non-Japanese

In terms of the environment for women's success, 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 2016, 26 employees took childcare leave, three of whom were men, and 100% of women took childcare leave (fiscal 2015: 0 men and 100% of 24 women took leave). A high percentage of women returned to work afterwards: 22 returned in fiscal 2016 — 95.6% if those still on leave are excluded. This is an increase over last fiscal year (94.4%, or 17 women, returned to work in fiscal 2015). As a result, despite it being said that Japan's gaming industry is generally dominated by men, women account for roughly 20% of Capcom's workforce, and 25 (11.4%) of Capcom's managers are women. Furthermore, 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 regular employees, and (2) having women comprise at least 15% of managers.

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



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



As a further measure to maximize female workplace participation, we opened "Capcom Juku" as an internal daycare facility in April 2017. 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, Labor and Welfare. In terms of the proactive employment of non-Japanese citizens, Capcom is making efforts to strengthen overseas expansion capabilities including creating an English hiring website. We currently employ 99 non-Japanese workers (representing 4.3% 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.



### Delivering New Games Developed Primarily by Women

Fiscal year 2016 saw the launch of *Toraware no Paruma*, a romance game for women developed primarily by female Capcom employees. Chosen from among 150 proposals solicited within the company, the title carries a distinctiveness among our games, which are primarily action-orientated games for men. It was ultimately selected for development by virtue of tenacious presentations given by female Capcom staff. The game is imbued with the team's unique sensibilities, which can be seen in things like the characters' 3D models and gestures. It also captured the top spot in the paid App Store's app ranking, evidence of the high acclaim it received from many users as a new Capcom IP.



Toraware no Paruma

**Message from a Capcom Developer**



**Miwa Hara**

Senior Manager  
Section 3, Department 1,  
Consumer Games Development Division 1

About 20% of Capcom’s developers are women. Although I believe this will increase even more in the future, it still feels quite low. As our users diversify, there are benefits to having many women working for the company, not the least of which is shining the spotlight on minority views.

When my children were little, I made use of the company’s shortened working hour program. It is difficult to work under time or other constraints when you are raising children. But even then, it is motivating to be recognized for making a contribution, regardless of your personal situation. The important thing is working within your own circumstances and figuring out how to achieve something.

**Providing Career Paths for Employees and Improving the Work Environment**

**Company-wide Training and Level-based Training**

To provide career paths and improve the work environment, Capcom offers the following training.

**Major Training Programs**

Level-based training	Grade-based training	<ul style="list-style-type: none"> <li>● Training for new hires</li> <li>● Training for first year of employment</li> <li>● Training for third year of employment</li> <li>● Mentor training</li> </ul>
	Mid-level	<ul style="list-style-type: none"> <li>● Training for management candidates</li> </ul>
	Management-level	<ul style="list-style-type: none"> <li>● Management by Objectives (MBO)</li> </ul>
Company-wide training	Compulsory	<ul style="list-style-type: none"> <li>● Mental healthcare</li> <li>● Compliance training</li> <li>● Personal information training</li> </ul>
	Optional	<ul style="list-style-type: none"> <li>● English instruction</li> </ul>

**Proactive personnel hiring**

**Boosting Jobs by Hiring 100 or More New Graduates Every Year**

With a view to developing ever higher quality game software, Capcom places an emphasis on in-house development. We are hiring at least 100 new graduates every year to expand development resources from 1,500 development staff members in fiscal 2011 to 2,500 in fiscal 2021, and thereby contribute to job growth. We also help developers find greater satisfaction in their work by providing a state-of-the-art game development environment that features a 3D scanning studio and Foley stage. ➔Please refer to page 37

**Corporate Governance and CSR**

**Action Criteria and Compliance-related Employee Education**

The Capcom Code of Conduct calls for “free competition and fair trade,” “respect for human rights and individuality and the prohibition of discrimination” and “environmental conservation and protection.” To ensure an understanding of these concepts, we created the Capcom Group Code of Conduct Handbook, which is available on the company intranet and contains illustrated case studies in an easily understandable Q&A format.

We also conduct e-learning compliance training and Personal Information Protection Act compliance training for all employees.

Action criteria and compliance are the lynchpin of corporate governance and the foundation of our CSR. Capcom will continue to instill this understanding in all its officers and employees.

**Occupational Health and Safety**

**Monthly Health and Safety Committee Meetings in Order to Build a Comfortable Work Environment**

Monthly Health and Safety Committee meetings include the attendance of an employee representative, an observer and a company representative. Participants discuss employee overtime, workload optimization workplace injuries and the state of each business site. This helps make our workplaces more pleasant.

**Promoting better utilization of paid leave**

**Establishment of the Paid Leave Promotion Day**

Capcom has established a Paid Leave Promotion Day. This company-led effort to encourage the taking of long-term paid leave promotes richer private lives for our employees. This initiative has helped us beat the paid leave utilization target (70% of annual paid leave taken by all employees by fiscal 2020) set by the government.

**Relationship with Business Partners**

**Basic Policies Regarding Business Transactions**

**Promotion of Fair Business Transactions Based on Regulations**

Capcom has established its own “Regulations Concerning the Management of Purchasing Transactions” and “Regulations Concerning the Management of Outsourced Transactions” in order to carry out free competition and fair business transactions. Capcom fairly evaluates conditions such as capability and cost to select suppliers and outsourcers. In addition, for business transactions with specified involved parties such as subsidiaries, Capcom compares such transactions with standard conditions and does not engage in those which would be disadvantageous to Capcom or which would unfairly profit the specified involved party.

# Relationship with Shareholders and Investors

## 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 via computer, smartphone, mobile phone and the Internet. In addition, we have participated from an early stage in a platform for the digital 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 in Japan and overseas.

## Basic Policies Regarding IR Activities

### 1. Disclosure Policies

Capcom believes that the timely and appropriate disclosure of information is the duty of every listed company, and that accountability to our shareholders and investors is indispensable from the perspective of corporate governance.

To this end, Capcom is promoting highly transparent management via the implementation of a basic policy for IR activities which involves (1) the establishment of a responsible investor relations framework, (2) the thorough disclosure of information, and (3) the creation of a system for the timely disclosure of information.

### 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.

### 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 this information pursuant to the Timely Disclosure Rules and other regulations.

## Third-Party Assessment of IR Activities

### High Praise for Proactive IR Initiatives

In recognition of our ongoing pursuit of timely and appropriate information disclosure, our IR activities and various IR tools have received a number of awards from third-party organizations. In addition to receiving the Excellence Prize at the Nikkei Annual Report Awards 2016 in the fiscal year ended March 2017, our IR website was selected by Daiwa Investor Relations for the 2016 Internet IR Grand Prize and we ranked first overall in the Fiscal 2016 Listed Company Website Quality Ranking. With an awareness of the importance of accountability, we will continue our efforts to earn the trust of investors and provide timely disclosure.

### Fiscal 2016 Third Party Evaluations

Integrated Reports	Capcom's integrated report chosen for excellence by asset management companies contracted with GPIF
	19th Nikkei Annual Report Awards, Excellence Prize
IR Website	LACP 2015 Vision Awards Bronze Award, Technology/Software category
	Daiwa Investor Relations Co., Ltd. 2016 Internet IR Grand Prize
	Morningstar Inc./Gómez Consulting Ranked 2nd overall in Gomez IR Website Ranking 2016
	Nikko Investor Relations Co., Ltd. Ranked 1st overall in the Fiscal 2016 Listed Company Website Quality Ranking

## 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 with them. Furthermore, their opinions are gathered and provided to management, and are utilized for corporate management going forward. As a company based in Osaka, proactive IR meetings with these parties enables us to minimize asymmetric information as we strive to achieve appropriate corporate value. This fiscal year, meetings with investors in Japan and overseas and conference calls amounted to 362 points of contact with investors.

In fiscal 2016, we set up a small meeting between external directors and investors where candid discussions were held concerning the necessity of transitioning to being a company with an audit and supervisory committee, the role of outside directors under the new system, and other matters concerning governance. We also had interested investors experience our virtual reality technologies during individual meetings to give them a better idea of Capcom's technical prowess. Furthermore, in contrast to the kinds of briefings that are often held in Tokyo, we held an online individual investor briefing to allow all investors to take part—regardless of where they live—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 investors and analysts in Japan and overseas. Being aware of investor perception gaps with regard to management objectives, business strategy and shareholder's return enables us to fine-tune corporate management and IR activities. Questionnaires are also given to attendees at our semiannual 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 examples of how this information is used include: (1) medium-term business goal and KPI revisions, (2) enhanced business strategies, (3) shareholder return methods and levels, and (4) reviews of the content and timing of information disclosures.



Our earnings presentation



A dialogue with overseas investors

#### Fiscal 2016 IR Measures

By category	Frequency
Visited domestic investors	99
Visited overseas investors	94
Other meetings	169
<b>Total</b>	<b>362</b>

#### IR Events

Event	Details
External director small meetings	Speaker: Takayuki Morinaga, External Director
Supplementary explanatory earnings administrative officer conference call	Conference call before/after earnings announcement to explain the results
Online individual investor briefing	Posted information sessions online for individual investors
Latest technology experience-based event	Conducted experience-based demonstration of latest VR technologies, promoted understanding of Capcom development technologies
Showed developer interviews during earnings presentation	Used developer videos to explain development status of latest titles of high interest to the market
Conducted perception gap study	Conducted assessment survey targeting investors and analysts in Japan and overseas regarding Capcom's management targets, strategies and IR activities, provided feedback to management

#### Perception Gap Study Investor Feedback (Excerpts)

- Since I see sales of catalog titles increase when new entries in a series are released, I have a positive impression of how Capcom has strengthened its digital download sales. Additional DLC is a recurring model, and it will be interesting to see how much this content will improve sales.
- It may be a good idea to also use outside help when developing mobile games. Partnering with other companies can teach Capcom how to improve earnings in the mobile space, which could help it produce hits in-house.
- With Capcom's numerous popular IPs, the company should seek out new partnerships in order to aggressively monetize its products in Asia, and China in particular.
- Although dividend yield currently stands at around 2%, a solid balance sheet suggests there may be room for an increase.
- Some of the company's shares need to be retired. This would send a strong message that Capcom values achieving shareholder returns.

#### IR Activities on Our Website

##### Utilizing a Website That Anyone Can Access

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, including investors, analysts, the mass media and job-seekers, and because it easily ensures information is available for inspection immediately in about 200 countries worldwide. Capcom's corporate website is also positioned as our most cost-effective tool.

#### IR Team

##### Full-Time Staff Engaged in a Wide Variety of Activities

Capcom IR activities are conducted by four 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)

## Directors

(As of September 30, 2017)



## Kenzo Tsujimoto

### Chairman and Chief Executive Officer (CEO)

Jul. 1985	President and Representative Director of the Company
Apr. 2001	Chief Executive Officer (CEO) of the Company (to present)
Jul. 2007	Chairman and Representative Director of the Company (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	Representative Director, President and Chief Operating Officer (COO) of the Company (to present)
Feb. 2015	Representative Director, in charge of Consumer Games Business of the Company
Jul. 2016	Representative Director, in charge of Global Marketing Business of the Company
Aug. 2016	Representative Director, in charge of Global Marketing Business and 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. 2005	Corporate Officer, Head of Contents Expansion Business Division of the Company
Apr. 2006	Corporate Officer, Head of Pachinko & Pachislo Business Division 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
Apr. 2015	Director, in charge of Amusement Equipments Business and Arcade Operation Business of the Company
Jul. 2016	Director, in charge of Amusement Equipments Business, Arcade Operations Business and Consumer Games Development of the Company
Aug. 2016	Director, in charge of Consumer Games Development and Amusement Equipment Business of the Company
Apr. 2017	Director, in charge of Consumer Games Development and Pachinko & Pachislo - Amusement Equipment Business Division of the Company (to present)

## Kenkichi Nomura

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

Apr. 1979	Entered into Fuji Bank Ltd. (Currently Mizuho Bank Ltd.)
Apr. 2007	Corporate Officer and Division Manager of Finance and Foreign Exchange Administration Service Division of Mizuho Bank Ltd.
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 and Head of Finance, Accounting and Public Relations Division (to present)
Jun. 2016	Director, Chief Financial Officer (CFO) and in charge of Corporate Management of the Company (to present)

## Hiroshi Yasuda

### Director External Independent Director

Apr. 1957	Entered into the Ministry of Finance
Nov. 1973	Personal Secretary to the Minister of Finance
Jan. 1977	Executive Secretary to the Prime Minister
Jun. 1988	Deputy Vice Minister of Finance
Jun. 1990	Director-General of the Budget Bureau of the Ministry of Finance
Jun. 1991	Administrative Vice Minister of Finance
May 1994	Governor of the Export-Import Bank of Japan
Oct. 1999	Governor of Japan Bank for International Cooperation
Sep. 2001	Advisor of the Kansai Electric Power Co., Inc.
Jan. 2002	Chairman of Yomiuri International Economic Society (to present)
Jul. 2002	President of Japan Investor Protection Fund
Jun. 2004	External Corporate Auditor of Shiseido Co., Ltd.
Aug. 2004	President of Capital Market Promotion Foundation (Currently Capital Market Promotion Public Interest Incorporated Foundation)
Jun. 2007	External Director of the Company (to present)
Jan. 2014	Advisor of Capital Market Promotion Public Interest Incorporated Foundation (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)

## 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)

## 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	Director (Full-time member of the Audit and Supervisory Committee) of the Company (to present)

## Makoto Matsuo

### Director External Independent Director

#### <A 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 (Audit and Supervisory Committee) of the Company (to present)

## Takayuki Morinaga

### Director External Independent Director

#### <A member of the Audit and Supervisory Committee>

Apr. 1964	Entered into The Export-Import Bank of Japan
Apr. 1992	General Manager of Personnel Division of the said Bank
Apr. 1994	General Manager, Osaka Branch of the said Bank
Apr. 1996	Senior General Manager of the said Bank
Sep. 1998	Managing Director of Yazaki Corporation
Sep. 2000	Senior Managing Director of the said Company
Jun. 2006	Vice Chairman of the said Company
Jun. 2007	Director and Executive Councilor of the said Company
Jun. 2008	Advisor of the said Company
Jun. 2009	External Director of the Company
Jun. 2016	External Director (Audit and Supervisory Committee) of the Company (to present)



## Principal Discussions at Board of Directors Meetings Held in Fiscal 2016



The Capcom Board of Directors ensures management transparency and corporate health, with its six external directors taking the lead in proactively offering opinions and advice. In addition to addressing policies for shareholder returns, including dividend payments and share repurchases, they engage in lively discussion concerning Capcom's business risks and growth strategies, while promoting those strategies through corporate governance. While there were more than a few heated discussions with external directors, on this page, we will present an overview of several discussions on takeover defense measures.

(Light blue highlights indicate external director comments.)

### Item

#### Proposal for Countermeasures (takeover defense) in response to a large-scale purchase of shares, etc. of the company (April 2017)

**Nomura** While continuation of the takeover defense measures was struck down at the 35th Ordinary General Meeting of Shareholders in June 2014, the same measures were reinstated in 2015. I think linking them to the medium-term strategy, changing the term for directors to one-year, and shifting the decision-making processes to the general assembly were well received, thus leading to a vote to approve. When the measures were reinstated two years ago, we explained to shareholders, including institutional investors, regarding our efforts to monetize our IP, which are off-balance-sheet assets, in light of our growth strategies. We received pro tem approval with the understanding that there would be a time limit for the policy. In leveraging our IP, we strove to strategically grow catalog sales. Since fiscal 2013, we have achieved four consecutive years of increased operating income, and have made steady progress toward increasing corporate value. In order to once again facilitate our growth strategies, we will raise the topic of continuing the takeover defense measures for discussion at the June 2017 Ordinary General Meeting of Shareholders, where we will report to shareholders on the progress of our new Medium-Term Business Goals. Considering the environment surrounding the takeover

defense measures, and in conjunction with the above strategic growth measures, we will be called upon to clearly specify time constraints, such as the "one-time only" provision, in order to receive majority approval.

**Muranaka** Because there is no precedent in our business for introducing take-over defense measures that include a one-time only stipulation, this would garner considerable attention. Also, a one-time only provision means that the measures must be discontinued once their period of validity ends. While the effect of such measures is limited, the resulting restraints they would place on the acquirer, in practical terms, are worth noting. In Capcom's case, it would be an unusual choice to place ourselves in a situation where we are forced to decide whether to discontinue the take-over defense after a given amount of time following its adoption.

However, I also understand the necessity of proceeding carefully in bringing the matter up for discussion should we not specify that it is one-time only, and am conscious of the possibility of it being rejected. I would like to hear, in simpler terms, if anyone here has thoughts on how we should proceed and what we should emphasize as a company in proposing take-over defense measures that specify a one-time only stipulation.

**Matsuo** This one-time only provision is extremely unusual. The public will not support us if we cannot clearly show what we have done these past two years, and what our plan is for the coming two or three years. Also, considering that we are being told, ultimately, that the only solution for a takeover defense is to raise our stock



price through strong performance, the fact is that these measures will reflect negatively on our stock price. It may be a valid choice in this case to discontinue the measures.

**Oda** I realize that the circumstances surrounding the takeover defense measures of 2015 and those at present are fundamentally different. I have been reviewing matters regarding the contingency plan currently in place, including which departments will take charge, and have found that the plan will take time in some areas. I agree with bringing the matter up for discussion in that it would be favorable to specify, to a degree, a period of time in the takeover defense measures that would help us stave off an acquisition.

**Matsuo** I understand very well that the concept is to protect our content; however, given that it has been two years since the previous adoption of the measures, that the founder and his family hold more than 20% of shares, and that some investors are not in favor of the measures, if we do not have an explanation regarding what management is thinking and why the takeover defense measures are necessary, there is no benefit in us reviewing the matter as external directors. I would like to have the executives explain to external directors why the measures are needed from the standpoint of company strategy.

**Tsujimoto (Kenzo)** Relying on takeover defense measures is not necessarily a good thing. Furthermore, we must manage and execute with the awareness that emergencies are always possible. It is also necessary to be cognizant that, as a result of having takeover defense measures, there may be a tendency to neglect matters that have been in need of attention. If we are going to expend a large amount of time, effort and money deliberating takeover defense measures, we must be prepared to make decisions and respond during an emergency. Over the past several years, we have steadily increased earnings, which has led to a higher stock price and market capitalization. I believe that these are, in fact, primary takeover defense measures.

**Morinaga** I have no objection to takeover defense measures in and of themselves, but I feel that continuing them with the one-time only provision is not preferable. If we do use a one-time only provision,

we need to explain in detail to shareholders as to why we are doing so. Regardless of whether we have takeover defense measures or not, there are numerous other measures that we must have. As a company, we must always achieve our target ROE, which is a quantitative goal. However, we must consider if, for example, we were unable to achieve this goal, how we would hold ourselves responsible to shareholders.

**Muranaka** Preparing our response in the face of a takeover bid is vitally important, and I think it as an issue that must be addressed regardless of whether we adopt takeover defense measures. From my experience as an attorney involved with takeover cases, I feel that one's options for preparation and response become limited once faced with an emergency. In hostile takeover cases at other companies, the crisis management team failed to function and did not make preparations in times of tranquility. Therefore, I think we need to establish a crisis management team and develop, among other things, a manual based on simulation results now, while things are calm; further, I feel it's necessary that we consider the composition of our response structure, including advisors, attorneys, and others.

**Tsujimoto (Kenzo)** Our takeover defense measures are a framework stipulating steps that acquirers must adhere to. They allow management to secure some time for discussions if an acquirer makes a bid without following the prescribed steps. That said, it is natural in business for a stronger company to acquire a weaker one. It is a mistake for management to say this or that about being acquired while not understanding whether they are strong or weak. If our policy as a company is to not respond in the face of unreasonable methods, then takeover defense measures are important, but this "one-time only" provision goes against company policy. If a large number of shareholders are opposed, I think it would be good to discontinue the measures in this case. The Company would be best putting its efforts elsewhere.

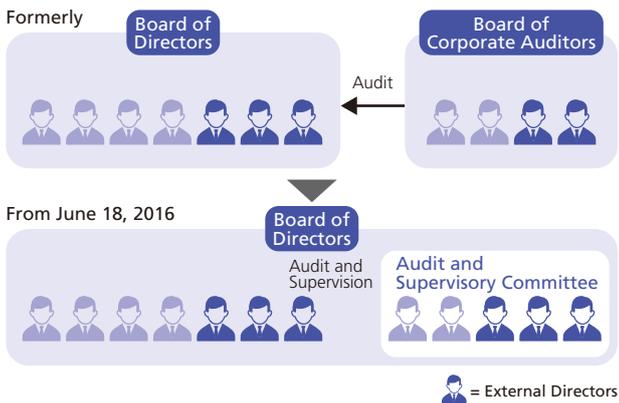
Please refer to the April 27, 2017 press release: Discontinuance (Abolishment) of Countermeasures (Takeover Defense) in Response to a Large-Scale Purchase of Shares, etc. of the Company  
<http://www.capcom.co.jp/ir/english/news/html/e170427c.html>

# Features of Capcom Corporate Governance

## Four Features of Capcom Corporate Governance

### 1 Transition into a company with an audit and supervisory committee to strengthen governance

Capcom established an Audit and Supervisory Committee and grants voting rights at Board of Directors' meetings to directors who are also Audit and Supervisory Committee members. In addition, Capcom aims to further strengthen supervisory functions across the entirety of management and further enhance corporate governance via the implementation of propriety audits together with conventional legal audits.



### 2 Proactive appointment of external directors

Capcom has reached our highest ever rate of external directors at 50% through 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.



### 3 Full disclosure of 73 Corporate Governance Code items

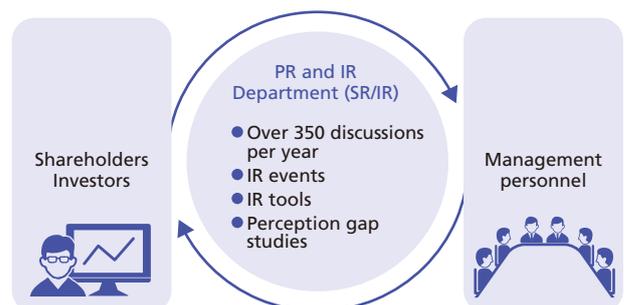
Capcom has disclosed all 73 of its Corporate Governance Code items in order to fulfil its responsibility to explain each item while reaffirming the current state of the company's governance system contrasted with its ideal state. Capcom attaches particular importance to 26 items, which are comprised of 10 items which contribute to our growth strategy, 3 items which contribute to our management system, and 13 items which serve as the base for achieving these, and provides greater detail concerning the same.

Items which contribute to our growth strategy	<ul style="list-style-type: none"> <li>● Ensure diversity within the Company, including promoting the activity of women.</li> <li>● Thorough disclosure of information.</li> <li>● Duties, etc. of the Board of Directors, etc.</li> </ul>
Items which contribute to our management system	<ul style="list-style-type: none"> <li>● So-called cross-shareholdings.</li> <li>● Selection and dismissal of key members of management staff.</li> <li>● Quality and standard of determining independence of independent external directors.</li> </ul>
Items which serve as a base for the above	<ul style="list-style-type: none"> <li>● Basic policy for capital policy.</li> <li>● Establishing an environment to support the risk-taking of the Board of Directors.</li> <li>● Role and duties of independent external directors, etc.</li> </ul>

➔ Please refer to the Corporate Governance page on Capcom's investor relations site: <http://www.capcom.co.jp/ir/english/president/governance.html>

### 4 Mechanism for reflecting investor and analyst opinions in management

Capcom's IR Department engages in discussions with analysts and investors over 350 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.



### Message from an External Director



**Masao Sato**  
External Director  
(Independent Director)

## Focusing on controlling risks in order to further our growth strategies

I believe that discontinuing Capcom's takeover defense measures has been one of our tougher challenges for governance over the past year. Despite the pains taken in reintroducing the defense measures previously, I feel that the decision to discontinue them—which broke with convention—after taking into account all of our discussions with shareholders to date, and vigorously debating the issue from square one at the Board of Directors, was a very significant one. ➔Please refer to "Principal Discussions at Board of Directors Meetings Held in Fiscal 2016" on page 63.

In the drastically changing video game industry, Capcom sees boosting its corporate value and improving performance through sustained, stable growth as the best defense from takeovers. The importance of controlling risk in order to pursue our growth strategies is increasing even further.

In my work with police administration and electric power companies, I was involved with business oversight and crisis management, preparing for unforeseen events. I would like to bring this experience to bear on the game industry, where fluctuations in performance can be substantial, and would like to contribute to Capcom's increased corporate value through sustained, stable growth and more transparent operations.

Specifically, from a risk management (or, defensive) perspective, this year I have encouraged the Company to clarify the scope of the impact of the UK Modern Slavery Act 2015 and the Advance Pricing Agreement (APA).\* Additionally, as an offensive approach to governance, given the high level of accuracy of plans in the Amusement Equipments business, I have been advising that the Consumer business (which has large discrepancies between estimated results and actual results) should learn what it can from the Amusement Equipments business, and incorporate that into their marketing, sales, and other activities.

Going forward, we will remain keenly aware of the roles expected of our six external directors, while providing diverse opinions and carrying out roles that encompass both offense and defense in order to achieve our growth strategies.

\*A pre-determined agreement on transfer pricing methodology

### Message from the Chairman of the Audit and Supervisory Committee



**Takayuki Morinaga**  
External Director  
(Independent Director)  
Chairman of the Audit  
and Supervisory Committee

## Striving to overcome the challenges that have come to the fore one year after transitioning to a new corporate structure

In the year since transitioning into a company with an audit and supervisory committee, Capcom has strengthened its governance over previous levels, though some operating challenges have also become apparent. In terms of strengthening, having an Internal Audit Department that is an organization directly subordinate to the Audit and Supervisory Committee has allowed broader in-house monitoring of not only legal audits, but also propriety audits, which facilitates better understanding than we previously had of the status of each business segment. We are able to deepen our understanding of the current state of the business by receiving reports from the Internal Audit Department on issues identified during monitoring.

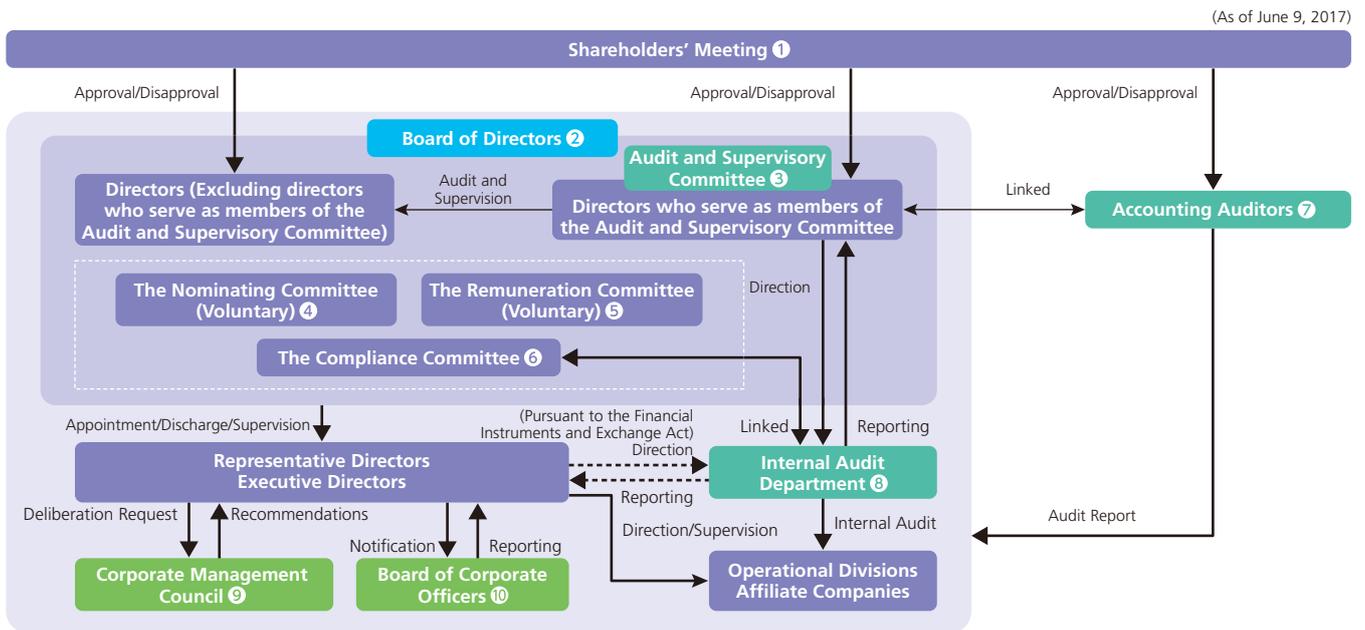
As a result, when taking decision-making steps regarding audits, we can offer instructions and advice after thoroughly understanding and discussing matters. For example, when we addressed a proposal for an interim dividend increase, we pointed out the imperative of adhering to our year-long plan, and received a commitment at the Board of Directors meeting. ➔Please refer to "CEO Commitment" on page 19.

Meanwhile, it is a challenge to translate issues identified in propriety audits into concrete actions for resolutions. This involves business policies and execution, which makes it clear that having proper agreement and understanding with top management and executive directors is now more important than ever.

In the drastically fluctuating video game industry, I firmly believe that having speedy decisions and execution by the founder are significant strengths. Consequently, I will do my part to overcome the above challenge and fulfill my role in an offensive approach to governance that accelerates our growth strategies.

# Corporate Governance Structure and Initiatives

Shareholders and investors have made the practical and 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.)



## Corporate Governance Structure

### Enhancing Management Health 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 9, 2017)

##### Determines Important Matters as the Highest Decision-Making Body

Our general shareholders’ meeting serves as its highest decision-making body and determines important matters as well as reports audit results of 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.

Two resolutions were brought up for discussion at the

shareholders’ meeting this year, all of which were approved and passed.

#### 2 Board of Directors

(Convened 15 times in the year ended March 31, 2017)

Supervision

##### Management Decisions that Incorporate Outside Opinions

In addition to the regular Board of Directors meeting being convened once every month, it is also convened when the need arises.

The Board of Directors is composed of a total of twelve directors. Of that total, five directors are Audit and Supervisory Committee members. Also, of the twelve directors, six are external directors. All six of the external directors have been registered with Tokyo Stock Exchange, Inc. as independent directors.

#### 3 Audit and Supervisory Committee

(Convened nine times in the year ended March 31, 2017)

Audit

##### Cooperating with Accounting Auditors and the Internal Audit Department to Audit and Supervise

The Audit and Supervisory Committee is composed of five directors (three of whom are external directors). We carry out organizational audits and supervision by selecting two full-time members of the Audit and Supervisory Committee to collect and share information, while also making use of our internal control system. In addition to formulating auditing policies and providing consultation regarding audit results, the Audit and Supervisory Committee cooperates

with the Internal Audit Department and gives advice to audited divisions regarding items to be improved, etc., working to see that internal control functions effectively in each division.

#### 4 The Nominating Committee

(Convened two times in the year ended March 31, 2017)

##### A Consulting Organization for Selecting Candidates for Director

Capcom has established a voluntary nominating committee with an external director as committee chairman. This committee functions as a consulting organization to the Board of Directors in order to ensure the objectivity and propriety of the decision process to select candidates for director.

#### 5 The Remuneration Committee

(Convened two times in the year ended March 31, 2017)

##### Recommending Details of Director Compensation

Capcom has established a voluntary remuneration committee with an external director as committee chairman. This committee functions as a consulting organization to the Board of Directors in order to ensure the objectivity and appropriateness of the decision process for setting compensation of directors (excluding directors who are members of the Audit and Supervisory Committee).

#### 6 The Compliance Committee

(Convened four times in the year ended March 31, 2017)

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

In order to ensure compliance, the Compliance Committee meets quarterly and has an external director, who is also a certified attorney, as the chairman. In order to prevent illegal activities and misconduct, and so that all employees can directly report any instances of these, Capcom has established Compliance Hotline Rules and an internal hotline. Capcom also regularly monitors its compliance status with a compliance check sheet. To ensure effectiveness, Capcom properly disposes of problems confirmed by this committee and other issues that must be dealt with.

#### 7 Accounting Auditors

Audit

##### Ensuring and Verifying Accounting Transparency

Capcom has engaged 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 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, 2017)

	Audit Operations	Non-Audit Operations
Delivery company	42 million yen	0 million yen
Consolidated subsidiary	2 million yen	–
Total	44 million yen	0 million yen

Auditing Company	Names of Certified Public Accountants	
KPMG AZSA LLC, a limited liability audit corporation	Designated Limited Liability and Managing Partner	Masaaki Doi
		Hiroshi Miura
		Takuya Obata

Note: Assistants to certified audit operations; Certified public accountants: 8; Others: 9 (those who have passed the certified public accountant exam and persons in charge of system audits)

#### 8 Internal Audit Department

Audit

##### Ensuring and Verifying Legal Compliance and Operating Efficiencies

We have established an Internal Audit Division to support the Audit and Supervisory Committee. This division primarily conducts regular monitoring of each division and Group companies from the standpoint of risk management. In addition, information is collected and analyzed from legal, propriety, and efficiency standpoints so internal operational risk and inefficiencies are properly understood, in order to prevent the occurrence of crises and improve operations. In addition, in the event of an unforeseen situation, the Audit and Supervisory Committee contributes to making appropriate management decisions by quickly giving a report examining and analyzing the causal factors to the Audit and Supervisory Board in order to minimize losses to the company.

#### 9 Corporate Management Council

(Convened 25 times in the year ended March 31, 2017)

Implementation

##### Supporting the Board of Directors' Decisions

The Chairman, President and Executive Corporate Officers participate in the Corporate Management Meeting, which is held the day before a meeting of the Board of Directors. At the Corporate Management Meeting, we ensure the fairness and transparency of the decision process with careful review of special items, items brought up to the Board of Directors and items delegated to executive corporate officers such as the President.

#### 10 Board of Corporate Officers

(Convened 11 times in the year ended March 31, 2017)

Implementation

##### Executing Operations Based on Clear Management Policy

In order to clarify monitoring and business operation functions, Capcom adopted the corporate officer system. The Board of Corporate Officers is convened once a month. At the Board of Corporate Officers, in addition to carrying out business based on Board of Directors' decisions, reports on business affairs policy are given and plans are formulated.

Status reports on business being carried out by Corporate Officers are given at the monthly meetings of the Board of Directors.

## 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, Nominating and Remuneration Committees. 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 Task Force helps with their work.

### Board of Directors' Reason for Selection and Rate of Attendance (Year ended March 2017)

	Name	Independent director	Reasons for selection	Board of Directors/Audit and Supervisory Committee Rate of Attendance (Year ended March 2017)
External Directors	Hiroshi Yasuda	○	In overall consideration of his excellent insight, wealth of experience, and career holding positions of importance	Board of Directors Attended 14 of 15 meetings (93.3%)
	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 the police administration	Board of Directors Attended 11 of 11 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 11 meetings (90.9%)
External Directors (Audit and Supervisory Committee)	Yoshihiko Iwasaki	○	Due to the validity of his judgment, which will benefit the Company from his practical experience with tax administration	Board of Directors Attended 15 of 15 meetings (100%) Audit and Supervisory Committee Attended 9 of 9 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 14 of 15 meetings (93.3%) Audit and Supervisory Committee Attended 9 of 9 meetings (100%)
	Takayuki Morinaga	○	Due to expectations for his ability to strengthen the auditing and supervision of the Board of Directors through management expertise, practical experience, and a track record that he has acquired at other companies	Board of Directors Attended 15 of 15 meetings (100%) Audit and Supervisory Committee Attended 9 of 9 meetings (100%)

## Officer Remuneration

### The Remuneration Committee Makes Recommendations to Ensure Fairness and Transparency

To ensure fairness and transparency, the compensation of Directors is consulted on with the voluntary Remuneration Committee, which has an external director as chairman. The Board of Directors sets remuneration based on this committee's recommendations. The current remuneration system is composed of set monthly remuneration and performance-based bonuses paid in cash, however the percentage of set remuneration is high. Because of this, we are looking into introducing a new remuneration system to increase the directors' incentive to increase corporate value over the medium- to long-term. Also, as part of an overall environment to support risk-taking, the remuneration linked to performance will be set to an appropriate percentage.

### Policy Regarding Deciding 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 fairness and transparency of Directors' remuneration, the Board of Directors consults the Remuneration Committee, which has an external director as chairman. The Remuneration Committee considers each board member's position, duties, tenure, full/part-time service, etc. as well as Capcom's earnings and individual job performance, and recommends an appropriate amount. The Board of Directors makes a decision based on this.

- Monthly remuneration is fixed.
- The bonuses are set within a reasonable range based on monthly remuneration and the Company's performance.
- In addition to the remunerations listed above, appropriate remuneration based on individual achievement may be paid within a set range.

#### 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 determined through discussions, taking the difference of full-time or part-time service into account, by the directors who serve as members of the Audit and Supervisory Committee.

### Officer Remuneration (Year ended March 31, 2017)

Total remuneration, etc. by type of director for delivery companies, total amount by type of remuneration, etc., and number of directors the remuneration was paid to

Type of director	Total Remuneration (million yen)	Total of remuneration, etc. by type (million yen)				Number of directors paid
		Basic remuneration	Stock options	Bonus	Severance	
Director (excluding Audit and Supervisory Committee) (excluding external directors)	278	228	-	50	-	5
Directors (Audit and Supervisory Committee) (excluding external directors)	25	25	-	-	-	2
Auditor (excluding external auditors)	5	5	-	-	-	1
External director	69	69	-	-	-	10

Notes 1: The above includes one director who left office due to their tenure ending at the conclusion of the 37th Regular General Meeting of Shareholders held on June 17, 2016.

2: As of the end of the 37th General Shareholders' Meeting on June 17, 2016, Capcom transitioned from a company with a board of corporate auditors into a company with an audit and supervisory committee. Consequently, remuneration amounts for corporate auditors correspond to the period before this transition, while remuneration amounts for directors who are Audit and Supervisory Committee members correspond to the period after this transition.

#### Total amount of consolidated remuneration, etc. by director of delivery company

Name	Total of consolidated remuneration, etc. (million yen)	Type of director	Type of company	Total of consolidated remuneration, etc. by type (million yen)			
				Basic remuneration	Stock options	Bonus	Severance
Kenzo Tsujimoto	101	Director	Delivery company	80	-	21	-

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 174th among 3,488 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 shareholder and capital composition, among others, assigned based on some 150 indicators calculated from data of publicly released company documents, such as financial reports.

Accompanying the changes to the NEEDS-Cges assessment criteria, Capcom’s total score was 7.28 points, placing us in the top 5.0% of Japan’s listed companies. Our score also exceeded

the average for all listed companies and for the industry, at 4.91 points and 7.15 points, respectively. We also received the maximum score of 10 for “information disclosure.” Furthermore, accompanying our abolishment of takeover defense measures and our dividend increase, we improved our scores over the previous year for the two categories of external regulations and capital policies.

The main evaluation factors are given in the table below, but areas highlighted in yellow indicate measures that received particular notice. Additionally, we were awarded first place among the companies that comprise the TOPIX 1000 for the Nikko Governance Score, which was announced in August 2017. 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 Assessment

Total Score	7.28
Rank	174
Categories	Score
Capital efficiency	5
Equity market’s assessment	7
External regulations	8
Board of Directors	8
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
External regulations	8	Ratio of loyal long-term stockholders and presence (or absence) of takeover defense measures
Board of Directors	8	Matters related to independent external directors and the terms of members of the Board of Directors
Officer remuneration	8	President’s shareholding ratio and amount of Company shares held by directors
Information disclosure	10	Timing of the General Shareholders’ Meeting (overlap with other companies) and website-related matters
Capital policies	8	Shareholder return ratio

Source: NEEDS-Cges from Nikkei Digital Media Inc.

### Shareholders’ Meeting Resolutions

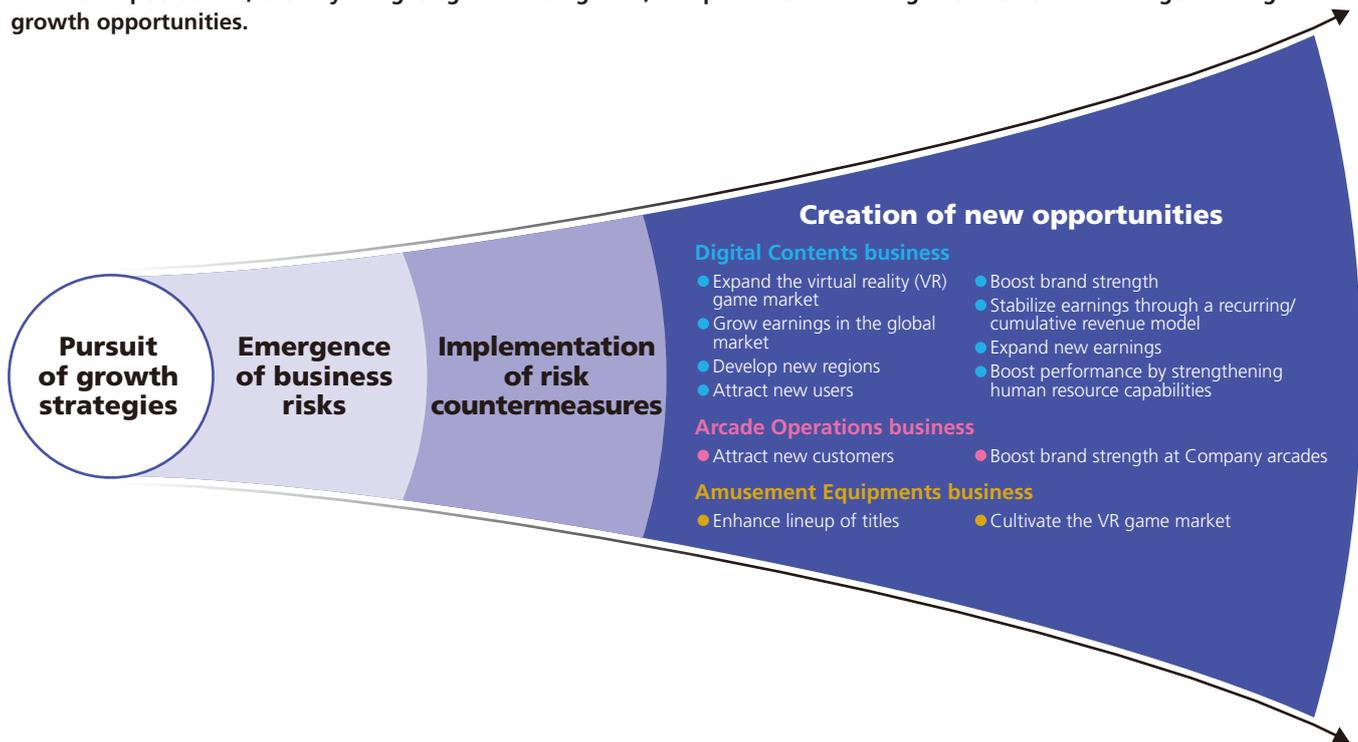
The following presents the number of votes in favor, opposed or abstained for the matters to be resolved at the year ended March 31, 2017, general shareholders’ meeting, and the results of voting.

Resolutions	Approval Votes	Votes Opposed	Abstained Votes	Approval Rate (%)	Voting results
First proposal: Proposed Appropriation of Retained Earnings	427,280	3,502	0	97.75	Approved
Second proposal: Election of Seven Directors (excluding Directors who are members of the audit and supervisory committee)					
Kenzo Tsujimoto	427,328	3,448	0	97.76	Approved
Haruhiro Tsujimoto	427,328	3,448	0	97.76	Approved
Yoichi Egawa	427,773	3,003	0	97.86	Approved
Kenkichi Nomura	427,558	3,218	0	97.81	Approved
Hiroshi Yasuda	425,013	5,764	0	97.23	Approved
Masao Sato	430,165	612	0	98.41	Approved
Toru Muranaka	408,304	22,473	0	93.41	Approved

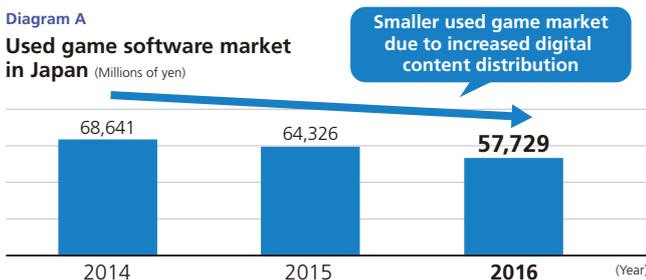
➡ Please refer to the “Shareholders Meeting Resolutions” section of our IR web page for information about the conditions for each proposal to be passed <http://www.capcom.co.jp/ir/english/stock/meeting.html>

# Risk Management

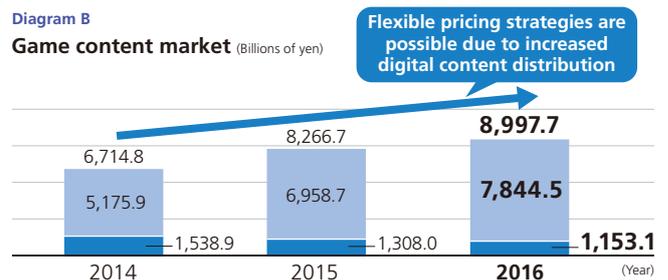
Capcom is driving its growth strategies forward in order to achieve our Medium-Term Business Goal of increased operating income every fiscal year. Pursuing our growth strategies, however, inevitably entails business risks. We implement measures for each expected risk, thereby mitigating or avoiding risks, and promote risk management that allows for generating new growth opportunities.



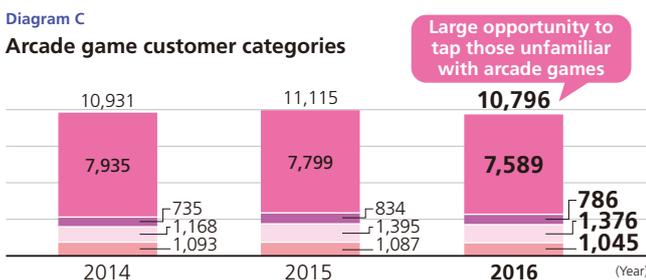
## Business opportunities shown in market data



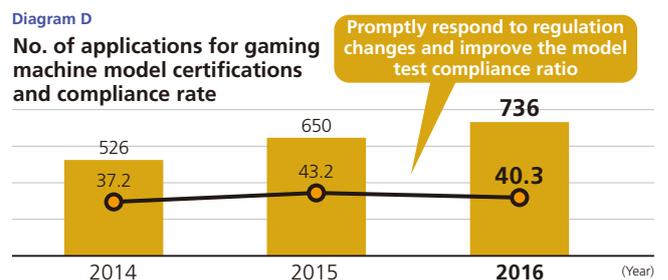
Source: Famitsu Game White Paper 2015, 2016, 2017



\*Source: Famitsu Game White Paper 2015, 2016, 2017



Source: 2017 CESA Consumer Survey Report --Survey of Japanese Game Users & Non-game Users--



Source: reference statistics from the Security Communications Association

## Major Risks, Countermeasures, and Opportunities

### Digital Contents business

Risks	Capcom's response measures	Opportunities
Surge in development costs due to increasingly complex/diverse functionality in CG and VR technologies as well as Internet operations	Build an in-house development engine and efficiently place development personnel to improve both quality and development efficiency, while focusing on containing development spending	<ul style="list-style-type: none"> <li>Expand the virtual reality (VR) game market</li> <li>Grow earnings in the global market</li> </ul>
Rapid obsolescence of game software	Remake previous titles and/or make derivative products from them in order to continue effectively utilizing IP, while securing long-term earnings	<ul style="list-style-type: none"> <li>Develop new regions</li> <li>Attract new users</li> <li>Boost brand strength</li> <li>Stabilize earnings through a recurring/cumulative revenue model</li> </ul>
Expansion of the used software market and a flood of pirated copies in Asian markets	Boost the DLC ratio in order to restrain supply to the used game market, suppress pirated copies, and expand sales of genuine products <a href="#">[Diagram A]</a>	
Loss of user interest in our popular IP due to changes in the market environment	Boost brand strength by rolling out products on multiple media platforms Allocate a certain percentage of development investment toward new IP development	
Arguments claiming a connection with/influence on violent incidents and other criminal cases due to depictions of violent scenes and similar content in games	Comply with rules on the age-based rating system for game software Educate schools and parents/guardians by conducting on-site classes	
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 diversifying earnings risks by releasing products on multiple game platforms	
Fluctuations in supply and demand for games due to seasonal factors	Deliberate on optimal timing of launches based on market analysis Create more long-term sales through flexible pricing strategies	
Sluggish sales growth in the transition stage ahead of new-generation home video game console launches	Lengthen the duration of game sales and strengthen recurring sales by boosting the DLC ratio Increase sales units 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 mobile games, etc. that leverage our popular IP by releasing games on multiple platforms and thereby gaining new user segments	<ul style="list-style-type: none"> <li>Grow earnings in the global market</li> <li>Boost performance by strengthening human resource capabilities</li> </ul>
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	Have in-house specialist teams carry out localization without losing the perspective of the game world and while keeping regional politics, economics, laws, culture, religion, and custom in mind	
Unfavorable legal interpretations/rules by regulatory authorities addressing tax rates, customs duties, etc. accompanying expansion of overseas transactions	Collaborate with overseas subsidiaries and gather information related to legal systems in the countries of sale so that we can strive for preemptive measures	
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	Opportunities
Reliance on the popularity of installed machines	Roll out multi-faceted projects such as character-themed food shops, shops dedicated to selling character-themed products, and special corners targeting younger demographics, in order to attract customers without focusing on specific, popular machines <a href="#">[Diagram C]</a>	<ul style="list-style-type: none"> <li>Attract new customers</li> </ul>
Changes in the market environment, such as diversification of entertainment, falling birth rates, intensified competition	Create new earnings opportunities and customers by holding various events for families and women, and other events aimed at middle-aged to senior citizens	<ul style="list-style-type: none"> <li>Boost brand strength at Company arcades</li> </ul>

### Amusement Equipments business

Risks	Capcom's response measures	Opportunities
Only models that obtain Security Communications Association certification can be sold	By joining the Japan Pachislo Machine Industry Association (Nichidenkyo), get an understanding of trends with regulatory agencies and build a framework for immediately responding to regulatory changes <a href="#">[Diagram D]</a>	<ul style="list-style-type: none"> <li>Enhance lineup of titles</li> </ul>
A decline in facility operators' purchasing power, changes in the business environment, and uncertainties regarding growth	Develop cabinets that utilize our wealth of popular IP in multiple ways Grasp market trends by collaborating with company-owned arcades	<ul style="list-style-type: none"> <li>Cultivate the VR game market</li> <li>Enhance lineup of titles</li> </ul>