

# Capcom Corporate Governance Guidelines

Established: December 16, 2021

## **Section 1: General Provisions**

The Capcom Group (hereinafter referred to as the “Company” (including its subsidiaries and affiliates)) possesses as strengths:

- (i) The development and technological ability to produce the top quality games in the world,
- (ii) A large number of popular intellectual properties loved throughout the world.

In order to realize steady growth over the mid- to long-term, and pursue the enhancement of corporate value, the Company formulates these “Corporate Governance Guidelines” as basic guidelines on corporate governance, and works to enhance its corporate governance system in a sustained manner.

### **1. Basic views on corporate governance**

The Company endeavors based on its “corporate philosophy” to build “appropriate relationships with stakeholders” and works to continually enhance its corporate governance.

<Corporate philosophy>

To be a "Creator of entertainment culture that stimulates your senses" through entertainment in the form of games that move and excite people

<Initiatives to realize corporate philosophy>

- (i) Strengthen management related human resources and streamline the development of successors
- (ii) Ensure diversity in terms of gender, nationality and age, develop organizational system and improve functionality
- (iii) Build effective risk control system utilizing Board of Directors
- (iv) Enhance management transparency through timely and appropriate information disclosure and dialogue

### **2. Revision and abolition of the Guidelines**

The revision and abolition of the Guidelines shall be subject to the resolution of the Board of Directors.

## **Section 2: Appropriate Cooperation with Stakeholders**

### **1. Relationship with stakeholders**

The Company shall build a relationship based on trust and strive to realize coexistence and co-prosperity with shareholders, customers, business partners, employees, local communities and other stakeholders.

In accordance with its corporate philosophy, the Company shall establish the "Capcom Code of Conduct" as the code of conduct for its directors who serve as members of the Board of Directors, directors who serve as members of the Audit and Supervisory Committee, corporate officers and employees, and periodically verify its implementation status.

## **2. Relationship with shareholders**

### **(1) General meeting of shareholders**

The Company shall secure sufficient time for shareholders to consider proposals at the general meeting of shareholders, which is its highest decision-making body, and endeavor to develop an environment in which shareholders can properly exercise their rights.

- The ordinary general meeting of shareholders shall be held early so as to avoid the so-called "concentration date" (i.e., day on which the ordinary general meetings of shareholders of many other companies are expected to concentrate).
- The notice of convocation of the ordinary general meeting of shareholders shall be sent about three weeks before the convocation date of the general meeting of shareholders.
- The notice of convocation shall be published on the Tokyo Stock Exchange and the Company's websites in both Japanese and English prior to being mailed.
- Convenience shall be ensured for domestic and overseas shareholders in exercising their voting rights by accommodating the exercise of voting rights via the Internet and using an electronic voting platform.
- To help facilitate appropriate judgment by shareholders, efforts shall be made to explain the notice of convocation in plain language, including utilizing diagrams, etc. Also, the latest information and past materials shall be posted on the Company's website so that they are made available as reference.
- In cases where a shareholder in a wheelchair or with a physical disability, etc. wishes to attend the general meeting of shareholders, if he/she has requested to be accompanied by a carer, etc., the accompanying carer, etc. shall be allowed to attend as a general rule.
- In cases where a request has been made by an institutional investor, etc. who holds shares in the name of a custodian trust bank, etc. by the day immediately preceding the day of the general meeting of shareholders, if such institutional investor, etc. can be confirmed as the beneficial shareholder based on, for example, consultation with the custodian trust bank, etc. or submitted materials, such an institutional investor, etc. shall be allowed to enter the meeting venue as an observer.
- At the general meeting of shareholders, a "Q&A session" format shall be adopted with questions and opinions on the agendas received all at once instead of on a proposal by proposal basis, to contribute to constructive dialogue with shareholders.
- The Board of Directors shall accept the voting results at the general meeting of shareholders with sincerity, and in cases where the non-approval rate is 10% or higher, immediately analyze the causes and consider dialogue with shareholders and other necessary matters.

### **(2) Securing the rights and equal treatment of shareholders**

The Company shall give consideration so as not to hinder the exercise of rights by shareholders, and shall endeavor to fully secure the rights and equal treatment of all shareholders, including minority shareholders and foreign shareholders.

The Company shall take appropriate measures to enable shareholders to exercise their diverse rights smoothly

and equitably without prejudice, in accordance with the nature of their shareholding and the number of shares held.

### **(3) Anti-takeover measures**

- (i) So-called anti-takeover measures have not been established at present.
- (ii) In cases where an act of hostile large-scale purchase of shares has been performed, the Board of Directors of the Company shall respond as follows:
  - Strive to gather information and secure the time needed for shareholders to make an appropriate judgment of the acceptability of the act of large-scale purchase of shares;
  - Request the large-scale purchaser to explain measures to increase the Company's corporate value; and
  - Take necessary measures such as announcing the Company's measures to increase its corporate value to shareholders, and disclosing whether the Company is for or against the act of large-scale purchase of shares, its opinions, reasons, etc.
- (iii) In cases where the Company's shares are subject to a tender offer, the Board of Directors of the Company shall respond as follows:
  - Request the tender offeror explain the measures to increase the Company's corporate value by submitting a position statement; and
  - Take necessary measures such as announcing the Company's measures to increase its corporate value to shareholders, and disclosing whether the Company is for or against the tender offer, its opinions, reasons, etc., to enable shareholders to promptly and appropriately determine whether to continue to hold the shares or accept the tender offer.

### **(4) Related party transactions**

The Company shall put the following structures in place so that related party transactions will not harm the interests of the Company or the common interests of shareholders.

- For transactions including conflict-of-interest transactions with a major shareholder substantially controlled by a director or his/her close relative, etc., a resolution of the Board of Directors shall be obtained in advance. Also, a report on such transactions shall be made after the fact.
- Directors who serve as members of the Audit and Supervisory Committee and the accounting auditor shall conduct strict audits with respect to appropriateness, reasonability, etc.
- Related party transactions shall be disclosed in accordance with the Companies Act, the Financial Instruments and Exchange Act and other laws and regulations, as well as the rules prescribed by the Tokyo Stock Exchange.

## **3. Relationship with customers**

In accordance with its corporate philosophy, the Company shall endeavor to enhance customer satisfaction by moving hearts and delivering smiles through entertainment in the form of games.

- Endeavor to develop games and enhance the environment so that all customers and users can equitably and safely enjoy them.
- The Company as a whole shall engage in initiatives aimed at the healthy development of entertainment.

#### **4. Relationship with business partners**

In accordance with its corporate philosophy, the Company shall build mutual trust and fair and appropriate business relationships, not to mention complying with laws and regulations.

The Company shall work on the production of high-quality products through cooperation with business partners.

#### **5. Relationship with employees**

In accordance with its business principle, the Company shall value the individuality of each person from the standpoint of respect for people and aim for the creation of a company, which is fair, cheerful, and pleasant to work in.

- Create a pleasant working environment for employees, improve productivity and push forward with securing and developing human resources, based on the view that "people are the essence of a company."
- Scout and discover diverse people to adapt to changes in the business environment, conduct personnel recruiting and evaluation, etc., without prejudice based on one's gender, nationality, age, etc.
- Make specific action guidelines widely known in accordance with the "Capcom Code of Conduct," which is the code of conduct for the Company's officers and employees, and thoroughly enforce compliance with laws and regulations etc.
- Establish a "Corporate Ethics Hotline" as a point of contact for receiving whistleblower reports from employees, etc. as well as a point of contact for consultation, for the purpose of preventing and correcting illegal and wrongful acts.
- Establish the "Corporate Ethics Hotline" not only internally but also in the form of points of contact that are staffed with external directors who are independent of the management.
- Put a whistleblowing structure in place and operate such structure in an appropriate manner, such as establishing provisions in the "Corporate Ethics Hotline Rules" that prohibit the disadvantageous treatment of employees, etc. on the grounds that they have made a whistleblower report.

#### **6. Relationship with society**

In accordance with its corporate philosophy, the Company shall aim to be a "good corporate citizen" and proactively work to solve society's common problems.

- Minimize the negative impact of the business on climate change [e.g., CO<sub>2</sub> and other greenhouse gas (GHG) emissions], and promote initiatives to reduce environmental pollution, use of resources, etc.
- Respect human rights, prohibit discrimination based on race, religion, gender, age, sexual orientation, disability, nationality, etc., and thoroughly eliminate inequality by protecting the vulnerable.

- Engage in activities to assist children suffering from poverty in the hope of their healthy growth and development.
- Promote initiatives to spread a healthy game culture, such as accepting visits to the Company's offices and holding "on-site classes" targeted at children.

### **Section 3: Ensuring Appropriate Information Disclosure and Transparency**

In order to realize effective corporate governance, the Company shall disclose information in a timely, appropriate and proactive manner, aimed at transparent and fair management.

- Comply with the Companies Act, the Financial Instruments and Exchange Act and other laws and regulations, as well as the rules prescribed by the Tokyo Stock Exchange.
- Aim for immediate and fair information disclosure by such means as disclosing information on the Company's website.
- Make the description specific and in plain language, and strive to provide high value-added information, including non-financial information.
- Disclose information promptly, fairly and appropriately, and work to make necessary information available in English as well.
- The Board of Directors shall conduct oversight to ensure timely and accurate information disclosure.

### **Section 4: Organizational Structure**

#### **1. Organizational structure**

- In order to further enhance its governance function, the Company shall adopt the structure of a company with an audit and supervisory committee.
- Also, the Company shall further strengthen its corporate governance function by establishing a Nomination and Remuneration Committee and a Compliance Committee as advisory organizations to the Board of Directors.
- For the purpose of clarifying the separation of management oversight and business execution, the Company shall adopt the structure of "Shikko Yakuin" (corporate officers) and seek to clarify the responsibility of business execution and improve the efficiency of decision-making through the delegation of authority.

#### **2. Board of Directors**

##### **(1) Roles and responsibilities of Board of Directors**

Given its fiduciary responsibility to shareholders, the Board of Directors shall properly fulfill the following roles and responsibilities in pursuit of sustained growth and higher mid- to long-term corporate value.

- The Board of Directors shall make decisions on matters prescribed by laws and regulations, the articles of incorporation, and the Board of Directors Rules.

- The Board of Directors shall discuss growth strategies based on the corporate philosophy and formulate the basic management policy and management strategies.
- The Board of Directors shall make decisions in a rational manner through an adequate deliberation process after taking into consideration forecasts, objectivity, transparency, fairness, etc.
- Executive directors and corporate officers shall execute prescribed business, and the Board of Directors shall supervise the execution of business appropriately.
- The Board of Directors shall develop and implement a structure for the Company's internal control system, including a company-wide risk management system, in order to ensure prompt business execution based on appropriate controls.
- The Board of Directors shall oversee the implementation status of the internal control system while utilizing the Internal Audit Division, which is the internal audit department of the Company.
- The Board of Directors shall delegate the authority to decide some important matters on business execution—such as personnel relocation and reorganization—to the representative director, in order to ensure prompt, agile and efficient business development.
- The Board of Directors shall demonstrate its function to oversee management in general and ensure fairness and transparency of management through the appointment and dismissal of directors, the determination of remuneration of directors (excluding directors who serve as members of the Audit and Supervisory Committee), major operational decisions, etc.

## **(2) Chairperson of the Board of Directors**

- The Board of Directors shall decide the chairperson of the Board of Directors pursuant to the provisions of the articles of incorporation.
- The chairperson of the Board of Directors shall endeavor to make deliberations active at meetings of the Board of Directors, with free, open and constructive discussions and exchange of opinions.

## **(3) Composition of the Board of Directors**

- Efforts shall be made to ensure diversity in the Board of Directors and take balance into consideration with respect to its composition in terms of knowledge, experience, skills, etc. in light of the management strategies, and their details shall be tabulated and disclosed.
- The Company will work to strengthen the supervisory function of the Board of Directors by utilizing several independent external directors to enhance management transparency from an external viewpoint.
- The Company will endeavor to invigorate the Board of Directors and enhance corporate value by appointing at least one-third of the members of the Board of Directors to be independent external directors.
- A Nomination and Remuneration Committee as an advisory body on the nomination and remuneration of directors shall be established under the Board of Directors. A Compliance Committee shall also be established as an advisory body whose objective is to monitor the status of compliance with laws and

regulations etc.

### **3. Audit and Supervisory Committee**

#### **(1) Roles and responsibilities of Audit and Supervisory Committee**

In recognition of its fiduciary responsibility to shareholders, and to fulfill its management monitoring function from an independent and objective standpoint, the Audit and Supervisory Committee shall appropriately perform the following roles and duties.

- The Audit and Supervisory Committee shall audit the execution of duties by directors and employees based on the audit policy.
- The Audit and Supervisory Committee shall conduct audits of the execution of business by directors and the reasonableness of the system of internal controls, among others.
- The Audit and Supervisory Committee shall formulate audit guidelines and audit plans, decide what each director who serves as a member of the Audit and Supervisory Committee is in charge of, appoint directors who serve as full-time members of the Audit and Supervisory Committee, appoint selected directors who serve as members of the Audit and Supervisory Committee, and appoint the chairperson, among others.
- The Audit and Supervisory Committee shall give instructions to the Internal Audit Division, which is directly under the Audit and Supervisory Committee in order to conduct organized and systematic audits, to investigate the effectiveness of the system of internal controls and the operating status of the same, and make a report.
- The Audit and Supervisory Committee shall appropriately exercise its authority with respect to the appointment and dismissal of directors who serve as members of the Audit and Supervisory Committee, the appointment and dismissal of the accounting auditor, and audit remuneration.

#### **(2) Chairperson of the Audit and Supervisory Committee**

- The Audit and Supervisory Committee shall, by its resolution, decide its chairperson from among directors who serve as members of the Audit and Supervisory Committee, and the chairperson shall preside over the Committee meetings.
- The chairperson of the Audit and Supervisory Committee shall be an external director.

#### **(3) Relationship with Internal Audit Division**

- An Internal Audit Division etc. independent of business execution departments shall be established as an internal audit department to assist the Audit and Supervisory Committee. The Audit and Supervisory Committee shall receive audit reports from the Internal Audit Division and report to the Board of Directors as appropriate.
- The Internal Audit Division etc. shall verify and evaluate the status of business execution by employees, the effectiveness of the system of internal controls and its operating status and report to the Audit and

Supervisory Committee. The Internal Audit Division etc. shall also accompany selected directors who serve as members of the Audit and Supervisory Committee, as appropriate, to conduct on-site audits of offices and domestic and foreign subsidiaries.

**(4) Relationship with accounting auditor**

- The Audit and Supervisory Committee and accounting auditor shall hold discussions as necessary on an ad hoc basis, exchange opinions and information on audits, and enhance the audits of both through close communication and cooperation.
- The Audit and Supervisory Committee shall formulate the evaluation standards for the selection of the accounting auditor with the cooperation of the Internal Audit Division etc. and other related parties, request multiple accounting auditors to submit proposals and perform the evaluation in accordance with the evaluation standards.
- The Audit and Supervisory Committee and directors who serve as members of the Audit and Supervisory Committee shall consider the audit methods of the accounting auditor and appropriateness of the audit results, and shall determine the appropriateness of the same through interviews and exchanges of opinion with the accounting auditor.
- The Audit and Supervisory Committee and directors who serve as members of the Audit and Supervisory Committee shall conduct interviews with the accounting auditor regarding the independence and expertise of the accounting auditor as appropriate including the existence of any conflict of interest based on the Certified Public Accountants Act and make their assessment.

**4. Directors / directors who serve as members of the Audit and Supervisory Committee**

**(1) Directors**

In recognition of their fiduciary responsibility to shareholders, directors shall execute their duties in pursuit of the sustained enhancement of corporate value.

- Directors shall act in the best interests of the Company and common interests of shareholders.
- Directors shall express their opinions based on their respective knowledge, experience and skills etc.
- Directors shall gather sufficient information to execute their duties.
- Directors shall request information and materials from the relevant departments as necessary to make appropriate decisions.
- Directors shall endeavor to obtain and improve their knowledge required for properly fulfilling their roles and responsibilities.

**(2) Directors who serve as members of the Audit and Supervisory Committee**

- The Company shall endeavor to include persons with a high level of knowledge of finance and accounting among directors who serve as members of the Audit and Supervisory Committee.
- Directors who serve as members of the Audit and Supervisory Committee shall conduct audits and



supervision from diverse viewpoints, based on each's excellent insight, specialist expertise and abundant experience.

- Directors who serve as members of the Audit and Supervisory Committee shall exercise their authority over audit of the execution of duties by directors, appointment and dismissal of the accounting auditor, and auditor remuneration, among others.
- Directors who serve as members of the Audit and Supervisory Committee shall audit the legality and appropriateness with respect to the execution of duties by directors by expressing their opinions in an objective and fair manner, among others.
- Directors who serve as selected members of the Audit and Supervisory Committee shall conduct on-site audits of business divisions, offices and domestic and foreign subsidiaries, attend important internal meetings such as corporate management meetings, and share information.

### **(3) Independent external directors**

- In addition to the requirements under the Companies Act, the "Criteria of Independence of External Director" shall be formulated, and independent external directors shall be appointed based on the independence requirements of said Criteria.
- Independent external directors shall express opinions and give advice as appropriate at meetings of the Board of Directors or the Audit and Supervisory Committee, aimed at the enhancement of corporate value.
- Non-executive directors including independent external directors shall supervise the execution of business by directors.
- Independent external directors shall supervise transactions involving conflicts of interest and other matters from an independent standpoint.
- Independent external directors shall endeavor to reflect the opinions of stakeholders in the Board of Directors.
- Independent external directors shall exchange information and share perspectives through the activities of the voluntary committees.
- The Company shall secure a structure for the effective functioning of audit and supervision, by arranging meetings with top management as appropriate, in addition to creating opportunities for information exchange and the sharing of perspectives for non-executive directors including independent external directors.
- Independent external directors shall gather information from and exchange opinions as necessary with executive directors, corporate officers, employees and other business executors, in order to properly execute their duties from an independent standpoint.

<Criteria of Independence of External Director>

The Company shall judge those persons for whom the following items do not apply as having independence as an external director.

- (i) A business executer of the Company currently or in the past ten (10) years;
- (ii) A main business partner or a business executer of such business partner (enterprise and the like), "main" meaning that consolidated net sales or trading value between the Company and the business partner accounts for not less than one (1) % of the Company and the business partner (as the case may be) on an annual basis;
- (iii) A person or enterprise having main business relationship with the Company or a business executer of such enterprise, "main" meaning that consolidated net sales or trading value between the Company and such enterprise accounts for not less than one (1) % of the Company and such enterprise (as the case may be) on an annual basis;
- (iv) The principal shareholders of the Company (holding not less than 10% of the total voting rights) or a business executer of such shareholder or corporation of which the Company is principal shareholder;
- (v) A business executer of organization or corporation to which the Company donated, financed or guaranteed in a large amount;
- (vi) A business executer of corporation with which the Company has cross directorship;
- (vii) Lawyer, certified public accountant, consultant and the like who received ¥10 million or more in cash or other assets per annum (in case of corporation or association who receives such assets, person belonging to such corporation or association that an amount involved in transactions between the Company accounts for not less than one (1) % of the consolidated net sales or trading value of the Company (as the case may be) on an annual basis and ¥10 million or more);
- (viii) In case of (ii) to (vii) above, person falling under any of business year in the past ten (10) years; and
- (ix) Spouse or relative within the second degree of kinship of the person falling under any of (i) to (viii) above.

## 5. Accounting auditor

The accounting auditor shall have the important role of ensuring the reliability of disclosed information, and bear responsibility toward shareholders and investors. The accounting auditor shall ensure independence and expertise and properly conduct accounting audits.

- The Board of Directors and the Audit and Supervisory Committee shall endeavor through the speedy provision of information to secure sufficient audit time for the accounting auditor to allow a high quality audit.
- The Board of Directors and the Audit and Supervisory Committee shall endeavor to secure opportunities for the gathering of information and exchange of opinions through meetings between the

accounting auditor and the CEO, COO and CFO as appropriate, and other means.

- The accounting auditor shall secure a structure that enables the execution of audits in an appropriate manner and enhance audits in collaboration with the Audit and Supervisory Committee and Internal Audit Division.
- The Board of Directors and the Audit and Supervisory Committee shall establish a structure to deal with cases where the Audit and Supervisory Committee or the accounting auditor discovers something improper and requests an appropriate response, or points out some other defect or problem.

## **6. Voluntary committees**

### **(1) Nomination and Remuneration Committee**

- The Board of Directors shall establish a voluntary Nomination and Remuneration Committee as an advisory body, to strengthen the oversight function.
- An independent external director shall be the chairperson. Also, a majority of the members shall be independent external directors.
- The CEO and COO shall not be members of the Nomination and Remuneration Committee.

#### <Nomination guidelines >

- The Board of Directors and the Nomination and Remuneration Committee shall secure transparency and objectivity in the nomination of director candidates.
- The Board of Directors and the Nomination and Remuneration Committee shall consider in the nomination of directors a balance between abundant experience in a wide variety of fields, specialist expertise and insight, to secure diversity in the Board of Directors and in the light of management strategy, and shall strive to optimize the Board of Directors overall.
- In regard to the selection and dismissal of directors and senior management, in order to ensure a more rigorous process and to secure transparency and fairness, the Board of Directors shall seek the advice of the Nomination and Remuneration Committee and shall make the decision in consideration of the deliberations and advice of the said Committee.
- The Board of Directors shall seek the advice of the Nomination and Remuneration Committee in regard to the selection and dismissal of senior management, taking job experience, insight, specialist expertise, contribution to company profits and other points into overall consideration.
- The Board of Directors shall obtain the consent of the Audit and Supervisory Committee in regard to the selection of directors who serve as members of the Audit and Supervisory Committee.
- The career summary, the reasons for selection, the status of significant concurrent positions held and other information on the individual directors shall be written and disclosed in the notice of convocation of the general meeting of shareholders and the annual securities report (yuho), etc.
- In regard to the selection and dismissal of the CEO, the Board of Directors shall seek the advice of the Nomination and Remuneration Committee, taking his/her qualities, capabilities for the execution of duties, track record and management skills, among others, into overall consideration. The Board of

Directors shall make the decision in consideration of the deliberations and advice of the said Committee.

- The Board of Directors shall seek the advice of the Nomination and Remuneration Committee regarding the fitness of the successor to the CEO etc.

<Remuneration guidelines>

- The Board of Directors and the Nomination and Remuneration Committee shall secure fairness and transparency in regard to the remuneration etc. of directors whose total amount is determined by resolution of the general meeting of shareholders.
- The Nomination and Remuneration Committee shall, in response to the Board of Directors' request for advice, deliberate and give its advice on the "Guidelines for Determining the Remuneration, etc. of Individual Directors." The Board of Directors shall determine the said guidelines in consideration of such advice.
- The remuneration guidelines, etc. of directors based on the above shall be as follows.
  - (i) Remuneration, etc. of directors (excluding directors who serve as members of the Audit and Supervisory Committee)
    - a. Base remuneration of directors (excluding directors who serve as members of the Audit and Supervisory Committee)
      - Monthly remuneration shall be fixed in amount, i.e., fixed remuneration.
      - Remuneration shall be in the amount deemed reasonable after taking into consideration each director's position, his/her job responsibilities, how long he/she has been in office, whether he/she is an executive director or non-executive director and other such factors and evaluating his/her performance as an individual.
    - b. Performance-linked remuneration, etc., of directors (excluding external directors and directors who are members of the Audit and Supervisory Committee)
      - This shall basically be short-term performance-linked remuneration in the form of bonus payment for a single fiscal year.
      - Based on the Company's management goal of "stable profit growth," it shall be calculated by evaluating the following items: "consolidated net profit attributable to the parent in the black on a single fiscal year basis," "year-on-year increase in consolidated operating income," "multi-year consecutive increase in consolidated operating income," and "evaluation of operations that the relevant director is in charge of."
      - The percentage of remuneration, etc. of directors (excluding external directors and directors who serve as members of the Audit and Supervisory Committee) shall be set based on the above items, within the limit for the bonus payment for a single fiscal year, which is capped at 50% of the annual base remuneration amount, in addition to monthly remuneration (i.e., base remuneration).

- (ii) Remuneration, etc. of directors who serve as members of the Audit and Supervisory Committee
  - The remuneration, etc. of individual directors who serve as members of the Audit and Supervisory Committee shall be fixed in amount instead of being linked to performance from the point of view of ensuring independence, and shall be determined through discussions by the directors who serve as members of the Audit and Supervisory Committee in consideration of such factors as whether they serve full-time or part-time.
- Based on the advice given by the Nomination and Remuneration Committee, the Board of Directors shall determine the amount of remuneration of each director within the limit of the total amount of remuneration, etc. of all directors (excluding directors who serve as members of the Audit and Supervisory Committee) and the total amount of remuneration, etc. of all directors who serve as members of the Audit and Supervisory Committee determined by the resolution of the general meeting of shareholders.

## **(2) Compliance Committee**

The Board of Directors shall establish a voluntary Compliance Committee as an advisory body, whose objective is to monitor the status of compliance with laws and regulations, etc.

- The Compliance Committee shall investigate and obtain a grasp of the probability of a breach of compliance with laws and regulations occurring.
- The Compliance Committee shall report the status of compliance with laws and regulations, etc. to the Board of Directors as necessary.
- The Compliance Committee shall make alerts, make recommendations and give advice to related parties.

## **7. Support structure**

- (i) To help make deliberations of the Board of Directors more active, a secretariat to the Board of Directors shall be established and operated as follows.
  - An annual schedule for the meetings of the Board of Directors shall be prepared, and extraordinary meetings shall be held on an ad hoc basis as necessary.
  - As for materials to be handed out, materials that make it easy to obtain a grasp of the outline of proposals shall be prepared and distributed in advance.
  - Authority regarding certain important matters on business execution, including personnel relocation and reorganization shall be delegated to the representative director. The Company shall endeavor to enhance deliberations by the Board of Directors by confirming the appropriateness of the agenda items.
- (ii) The director in charge of management administration shall provide an explanation of the proposals and supplementary items to external directors about one week before the meeting date of the Board of Directors so that sufficient discussions can take place at the meeting of the Board of Directors.

- (iii) A structure shall be secured so that external directors are able to make decisions regarding proposals in a timely and appropriate manner; the corporate officer in charge shall attend the meeting of the Board of Directors as necessary, and assist the explanation of the proposal and response to questions by the director in charge.
- (iv) Directors, directors who serve as members of the Audit and Supervisory Committee, corporate officers and employees of the Company shall respond promptly and appropriately to the request when asked for information necessary for the execution of duties by directors.
- (v) An Internal Audit Division etc. independent from the business execution departments shall be established as an organization directly under the Audit and Supervisory Committee as an internal audit department to assist the said Committee, to enable the execution of duties by the Audit and Supervisory Committee in a smooth and appropriate manner, and said Division shall serve as the secretariat to the Audit and Supervisory Committee.
  - The Internal Audit Division, etc. shall endeavor to ensure independence of business executers, and shall execute duties subject to the supervision and instruction of directors who serve as members of the Audit and Supervisory Committee, and also share information and exchange opinions as appropriate.
- (vi) The Executive Secretariat Office and Internal Audit Division etc shall perform auxiliary tasks to enable the smooth execution of duties by non-executive directors including external directors.
- (vii) The budget shall be secured for external experts such as consultants necessary for the smooth and appropriate execution of duties by directors.

## **8. Director training**

Directors shall be provided with necessary training opportunities and information, as appropriate.

- Upon the assumption of office by a new director, he/she shall be provided with information on industry trends, etc., in addition to an explanation of the Company's business, financial position and organization and the opportunity to visit offices.
- The Company shall provide financial support for training and exchange of information by directors.
- Directors who serve as members of the Audit and Supervisory Committee shall create upskilling opportunities through the Japan Audit & Supervisory Board Members Association as part of efforts to conduct appropriate audit operations.
- The Board of Directors shall create opportunities to explain the business strategies, etc. for each business on an annual basis, and shall provide external directors with necessary information on the Company's business issues, etc. on a continual basis.

## **Section 5: Dialogue with Shareholders**

### **1. Constructive dialogue with shareholders and investors**

Efforts shall be made to contribute to the sustained enhancement of corporate value through dialogue with

investors, including shareholders.

Basic guidelines for the development of a structure and initiatives to promote constructive dialogue with shareholders shall be formulated.

<Basic guidelines for constructive dialogue with shareholders>

- Dialogue shall be held proactively in terms of both Investor Relations (IR) and Shareholder Relations (SR) in order to build a good relationship based on trust with shareholders, and thus promote understanding, share perspectives, etc.
- The director in charge of management administration shall be in charge of dialogue with shareholders and the General Affairs Department and the Public Relations & Investor Relations Section shall carry it out. As appropriate, the Chairman and Representative Director (CEO), the President and Representative Director (COO) and other directors including external directors as well as corporate officers, etc. shall conduct meetings.
- In order to enhance dialogue with shareholders and investors, the General Affairs Department and the Public Relations & Investor Relations Section shall coordinate with each other, and shall also share information with departments concerned across the organization.
- In addition to holding financial results briefings and small group meetings, periodic briefing sessions targeting individual investors shall be held, and an explanation of the mid- to long-term management vision, the business strategies and the outline of business performance shall be provided.
- Demands, opinions, questions, etc. obtained through dialogue shall be reported to the Chairman and Representative Director (CEO), the President and Representative Director (COO) and parties concerned as appropriate, and as necessary, reported at the meetings of the Board of Directors, etc., in order to reflect them in management.
- When promoting dialogue, fair disclosure shall be thoroughly implemented, and management of insider information shall be dealt with properly.
- In principle, nominal owners in the shareholder registry shall be identified twice a year. Also, efforts shall be made to get a grasp of shareholders who substantively own the Company's shares by conducting research to identify the beneficial shareholders.

## **2. Formulation and publication of business goals**

When formulating and publishing management strategies and business plans, the specific goals and the gist of business strategies to achieve those goals shall be presented after accurately identifying the Company's capital costs.

## **Section 6: Other**

### **1. Basic strategy for capital policy**

- In order to enhance shareholder value, management shall be conducted by placing importance on "operating income" (growth index), "operating margins" (efficiency index) and "cash flows."

- The Company shall obtain a certain level of funding as necessary for capital expenditure and acquisitions etc. in order to realize sustained growth.
- The Company shall endeavor to enhance capital efficiency as well allow the flexible implementation of capital policy in line with changes in the business environment.
- When raising capital in a way that leads to large-scale share dilution, such capital raising shall be subject to resolution based on sufficient deliberation in the meetings of the Board of Directors after taking growth strategies, financial structure and other such factors into consideration, and shall be disclosed and explained in an appropriate manner.
- Where there is the risk of a conflict of interest between management and shareholders, external directors shall give necessary opinions and advice from an independent and neutral viewpoint.

<Shareholder return policy>

As the basic policy, the consolidated dividend payout ratio shall be 30%, and efforts shall be made to pay stable dividends.

## **2. Guidelines on strategic shareholdings**

- Shares shall be held only in cases where the objective is to increase corporate value in a sustained manner.
- Returns after the cost of capital and the risk of strategic shareholdings shall be carefully examined and verified periodically by the Board of Directors by taking all factors into consideration with respect to the purpose and rationale of holding such shares from a medium- to long-term perspective.
- As a result of review, if the strategic shareholdings are deemed to lack economic rationale, such as when the book value has fallen by 50% or more or the corporate value of the investee has been significantly impaired, such shares shall be reduced or sold, etc. at an appropriate time while giving consideration to the impact on businesses and markets, following dialogue with the investee.
- The Company shall exercise the voting rights with respect to these shareholdings for each proposal after following the required internal due process upon considering the following matters:
- (i) Financial performance, (ii) Capital policies, (iii) Development status of corporate governance, (iv) Significant scandals, (v) Adequacy of the officers and (vi) Whether there has been improvement in its corporate value.
- In the event that the strategic holders of the Company's shares proposes to sell the Company's shares, the Company shall not hinder the sale, for instance, by implying a possible reduction of business transactions or acting reluctantly.

## **3. Corporate pension fund**

- Management of the corporate pension fund shall be entrusted to an asset manager with professional expertise and abundant experience.
- Exercise of voting rights, etc. shall be left entirely up to the asset manager so that no conflicts of interest arise between corporate pension fund beneficiaries and the Company.



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