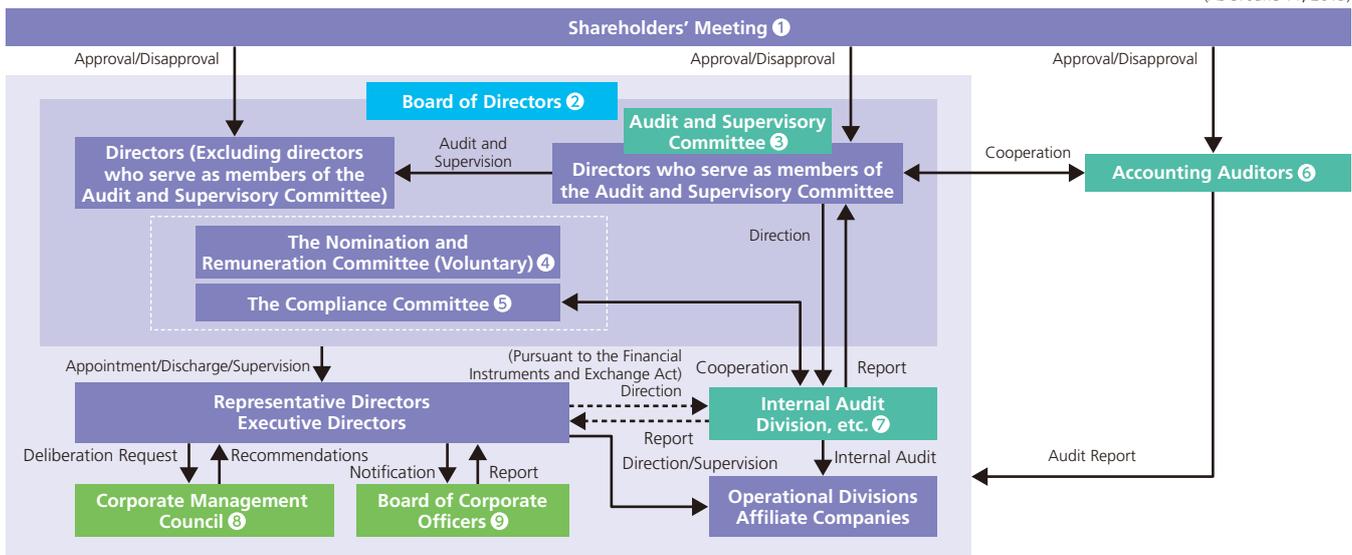


Corporate Governance Structure and Initiatives

Shareholders and investors have made the effective functioning of internal control into a key issue amidst an epidemic of corporate misconduct in Japan and overseas. In this section, Capcom will explain the corporate governance structure and systems that it has initiated so far based on the key concepts of “effectiveness and visibility” in terms of the results of third party assessment. (Assessment areas are highlighted in yellow.)

(As of June 11, 2019)



Corporate Governance Structure

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

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

1 Shareholders’ Meeting

(Convened on June 17, 2019)

Determines important matters as the highest decision-making body

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

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

2 Board of Directors

Supervision

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

Management decisions that incorporate external directors’ opinions

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

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

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

3 Audit and Supervisory Committee

Audit

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

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

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

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

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

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

4 The Nomination and Remuneration Committee

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

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

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

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

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

5 The Compliance Committee

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

Focusing on Compliance as an Important Management Issue

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

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

6 Accounting Auditors

Audit

Ensuring and Verifying Accounting Transparency

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

Auditor Remuneration (Year ended March 31, 2019)

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

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

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

7 Internal Audit Division

Audit

Ensuring and verifying legal compliance and operating efficiencies

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

The Internal Audit Division verifies and evaluates the status of employees' execution of duties and the efficacy (and status of operation) of internal control systems, and reports to the Audit and Supervisory Committee. When needed, division members also accompany selected Audit and Supervisory Committee members and carry out on-site audits of offices and subsidiaries inside and outside Japan.

8 Corporate Management Council

Implementation

(Convened 18 times in the year ended March 31, 2019)

Supporting the Board of Directors' decisions

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

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

9 Board of Corporate Officers

Implementation

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

Executing operations based on clear management policy

Capcom utilizes a Corporate Officer System. In addition to clarifying the roles and responsibilities of directors focused on management and corporate officers focused on business execution, the system boosts management efficiency by allowing officers to swiftly execute business following instructions from executive directors regarding important matters determined at the Board of Directors.

The Board of Corporate Officers is composed of 21 corporate officers (four of whom serve concurrently as directors), and in principle, convenes around the end of each month.

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

External Directors

Using external perspectives to ensure effective governance

External directors ensure the effectiveness of the corporate governance function by playing key roles in the Compliance Committee and the Nomination and Remuneration Committee. They also focus efforts on compliance and the prevention of corrupt or illegal activities, and openly exchange opinions and provide counsel at Board of Directors meetings in an effort to

strengthen the management audit function. The Secretariat staff helps with the work of the external directors who are not members of the Audit and Supervisory Committee. For external directors who are members of the Audit and Supervisory Committee, the full-time staff of the Internal Audit Division helps with their work.

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

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

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

Officer Remuneration

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

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

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

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

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

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

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

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

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

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

Officer Remuneration (Year ended March 31, 2019)

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

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

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

Total amount of consolidated remuneration by director of delivery company

Name	Total of consolidated remuneration (million yen)	Type of director	Type of company	Total of consolidated remuneration by type (million yen)			
				Basic remuneration	Stock options	Performance-linked Remuneration	Severance
Kenzo Tsujimoto	130	Director	Delivery company	100	–	30	–
Haruhiro Tsujimoto	104	Director	Delivery company	80	–	24	–

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

Third-Party Assessment

Promoting more “visible” governance

An analysis of an assessment performed by a third-party organization into the validity and effectiveness of Capcom’s corporate governance shows that the company ranked 31st among 3,592 listed companies in Japan in the “NEEDS-Cges” assessment developed by Nikkei Digital Media, Inc.

NEEDS-Cges has an established reputation as a system that quantitatively assesses corporate governance using scores on a scale of 1 to 10 for eight categories, including capital efficiency, information disclosure, and external regulations, among others, based on some 150 indicators calculated from data of publicly released company documents, such as financial reports.

As of the end of June 2019, Capcom’s total score was 8.00 points, placing us in the top 0.9% of Japan’s listed companies, exceeding the 4.94-point average for all listed companies and the 7.02-point average for the industry. We also received the maximum score of 10 for “information disclosure.”

The main evaluation factors are given in the table below, but areas highlighted in yellow indicate measures that received particular notice. Going forward, we will continue making improvements based on consideration of external data to earn an even stronger assessment, and further promote the external visibility of our governance by posting this and other data on our IR web page.

Third-Party Assessment Results of Capcom’s Corporate Governance

Details of Capcom’s Corporate Governance

Total Score	8.00
Rank	31
Categories	Score
Capital efficiency	9
Equity market’s assessment	8
External regulations	9
Board of Directors	9
Officer remuneration	8
Information disclosure	10
Capital policies	8
Effectiveness	4

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



Details of Highest Rated Categories

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

Source: NEEDS-Cges from Nikkei Inc.

Basic Policies Regarding IR Activities

1. Disclosure policies

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

2. Disclosure criteria

Capcom provides timely disclosure in accordance with the Securities and Exchange Law and other regulations including the “Rules on Timely Disclosure of Corporate Information by Issuer of Listed Security” (hereinafter Timely Disclosure Rules) stipulated by the Financial Instruments and Exchange Act and the Tokyo Stock Exchange.

It is our policy to disclose as much information as possible, including the disclosure of information not required by the Timely

Disclosure Rules and other regulations, to accommodate our investors’ needs. We also disclose information through our corporate website in an attempt to provide quick and fair disclosure. Shareholders are informed of operating results and business conditions through shareholder letters and the convocation notice for the general shareholders’ meeting.

3. Quiet period

To prevent the unauthorized disclosure of quarterly earnings information prior to official announcements, Capcom has established a quiet period starting the day following the end of a fiscal period and ending on the day that financial information for that period is announced. During this period, we refuse all inquiries relating to our business performance. However, if significant changes to our earnings outlook are anticipated during the quiet period, we will disclose information pursuant to the Timely Disclosure Rules and other regulations.

Initiatives for the General Shareholders' Meeting

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

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

Also, voting rights can be exercised online via smartphone,

PC or other such devices. In addition, we have participated from an early stage in a platform for the online exercise of voting rights, so institutional investors are ensured a sufficient amount of time to consider proposals starting on the day the convocation notices are distributed. We also post convocation notices in English on our corporate website to promote the exercise of voting rights by shareholders worldwide.

Shareholders' Meeting Resolutions

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

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

➔Please refer to the "Resolutions of the 40th Ordinary General Meeting of Shareholders" section of our IR web page for information about the conditions for each proposal to be passed <http://www.capcom.co.jp/ir/english/stock/meeting.html>

Third-Party Assessment of IR Activities

High praise for proactive IR initiatives

In recognition of our ongoing pursuit of timely and appropriate information disclosure, our IR activities and various IR tools have received a number of awards from third-party organizations. With an awareness of the importance of accountability, we will continue our efforts to earn the trust of investors and provide timely disclosure.

Fiscal 2018 Third Party Evaluations

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

Making Use of Shareholder and Investor Opinions

Reflecting results of dialogues with investors and analysts in management

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

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

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

Fiscal 2018 IR Measures

By category	Frequency
Interviews accepted	225
Visited domestic investors	115
Visited overseas investors	87
Total	427

IR Events

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

Outcomes from our perception gap study with investors (excerpts)

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

A. We have addressed this.

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

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

IR Activities on Our Website

Providing a website easily accessible to everyone

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

IR Team

Full-time staff engaged in a wide variety of activities

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

Public Relations & Investor Relations Section

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