

## Conversation: An Corporate Auditor's Perspective on Capcom's Governance



Kenzo Tsujimoto

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Capcom Co., Ltd.

Conversation

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## A Balanced Approach to Corporate Governance Equally Incorporating Creativity, Legality, Efficiencies and Social Responsibilities

Capcom Chairman and CEO Kenzo Tsujimoto and Corporate Auditor Masanao Iechika, Attorney at Law, discuss how the company should maintain and strengthen its checks-and-balances system for management today when the corporate governance of Japanese companies has been called into question. They also talk about the role corporate auditors should play in these efforts.

### Capcom's Vision of Corporate Governance and the Role of Corporate Auditors

**Tsujimoto** You were appointed as one of Capcom's external directors for a five-year period starting in 2002, so you don't fulfill the requirements of external auditor legally speaking, but you have been helping us to perform audits with the perspective of an external auditor. Today, I'd like to discuss Capcom's corporate governance from an external perspective.

**Iechika** The corporate governance of Japanese companies has become a topic of debate due to scandals that plagued a number of leading companies last year. In light of the recent revisions made to both TSE regulations<sup>\*1</sup> and to guidelines on securities reports<sup>\*2</sup>, particular focus is being placed on how to ensure external officers' independence. Capcom was among the first in Japan to appoint external auditors and external directors more than ten years ago. Why do you think having an external perspective is important?

**Tsujimoto** The objective of corporate activities is to continually increase profits and achieve growth. In order to do so, a company must tackle

creative challenges like no other competitor can. In the case of Capcom, this holds all the more true because we are a company with a creativity-focused corporate philosophy that has grown thanks to its original video game content and proprietary business model. Yet, focusing solely on challenges means a company may forget to check its actions from a societal standpoint. I want us to proactively engage in original projects that cannot be copied by other companies, but I don't want these projects to go against our responsibility to society. To uphold our corporate social responsibility, we were among the first to implement an external director system. Today, people with the highest level of sound judgment

in each respective field have been delegated to help us make decisions.

**Iechika** Corporate governance is a way for companies to oversee how they achieve their objectives, so its basic elements include, of





course, not only the legality of management, but also increasing efficiencies —neither of which inhibits the growth of a company. However, it's important for corporate governance to strike a sound balance between efficiencies and legality as well as corporate social responsibilities. Corporate officers focused on maximizing profits should not be placed in control of everything. This is why I believe the importance of external officers is growing because they serve as coordinators in this regard.

**Tsujimoto** Just as you point out, this balance is extremely vital. A company must not engage in actions contrary to its social responsibilities just for the sake of profits, but on the other hand, a company must not lose its creativity, or the source of its competitiveness, by getting too caught up in common practices. To strike a balance, each department must quickly identify any of its functions that are not working effectively and implement continual improvements after thoroughly addressing the problem.

As for our internal control in terms of finances, we closely monitor management indicators using a company-wide information system, with top management constantly checking numbers worldwide and for every business division to immediately identify problems. In 2011, we instituted an Corporate Auditing officer system to develop a more detailed check system for each of our operations. Nevertheless, there is still the potential for top management to neglect its duty of legal compliance, so external officers are in place to point out issues. I believe this structure helps ensure Capcom's steady profitability.

**Iechika** In addition to rigorous accounting checks, we have also begun audits performed by officers well versed in the video game industry through the establishment of our own operational audit officer system. In this sense, I believe we have a well-balanced system in place. I am also aware that our role as corporate auditors to govern this system has become even more important.

## Reinforcing the Company's Audit Functions Requires All Divisions to Change Their Mindset

**Iechika** Japan's corporate auditor system has seen the role of corporate auditors independent from management strengthened over the last half century or so. Of course, mechanisms have been developed to this end, but in order to achieve the true function of this system it's just as important to cultivate the human resources needed to run the system and to ensure the entire company has a solid awareness of the importance of this system.

**Tsujimoto** The same can be said for Capcom's corporate auditor system.

**Iechika** Similar to what I just mentioned, Capcom has a highly developed corporate auditor system and organizational system, and the company runs these systems very effectively. If I had one request it would be to step up support provided from each division, since it's almost impossible for the current number of corporate auditors to perform audits on all business divisions. In other words, I'd like all groups and divisions to be fully aware that thorough audits are very important for the company.

**Tsujimoto** I also believe this change in mindset is important. Unlike the time of our founding, we have grown into a large company, and have more shareholders with high expectations of us. In this regard, all employees must be keenly aware of safeguarding our profitability. The

key to this will be developing a corporate culture where managers frankly report projects that are not making progress according to plan and then action is taken as an entire organization to make improvements. Hiding failures will cause the eventual downfall of the company. Senior management will also ensure that those in charge of our frontlines in the Accounting Department, Finance Department and General Affairs Department will act with shareholder returns in mind.

**Iechika** This type of corporate culture will ensure that employees properly report problems when they are found so that the entire organization is aware. This will enable top management to take the most appropriate measure. This will also make our work as corporate auditors easier as well.

## Preventing Improprieties before They Happen and Reinforcing the Company's Overseas Auditing Set to Become Key Issues

**Tsujimoto** What are some of the things you place the most emphasis on as a corporate auditor?

**Iechika** A corporate auditor's fundamental mission is to find management improprieties, but I believe working to prevent these improprieties from occurring in the first place is even more important. In recent years, the law world calls it "preventative legal work". Essentially, appropriate measures are taken well in advance to stave off potential future disputes. In this regard, we have also coined the phrase "preventative audit work". Although it may be quite difficult, I believe this "preventative work" will grow even more important going forward from the perspective of incorporating greater external perspectives.

**Tsujimoto** I feel the same way about preventing improprieties before they occur. In order to meet the expectations of stakeholders and shareholders, I'd like Capcom to strive to prevent improprieties using a rigorous system of checks. This is because even the smallest incident, if left unattended, can develop into a major scandal in the future.

**Iechika** Another important topic for the future is audits outside of Japan. With the growth of our business around the world, we will need to further strengthen audits of our overseas subsidiaries. Capcom is focusing particularly on growth in Asia, so we will also need to raise the bar of our auditing functions globally.

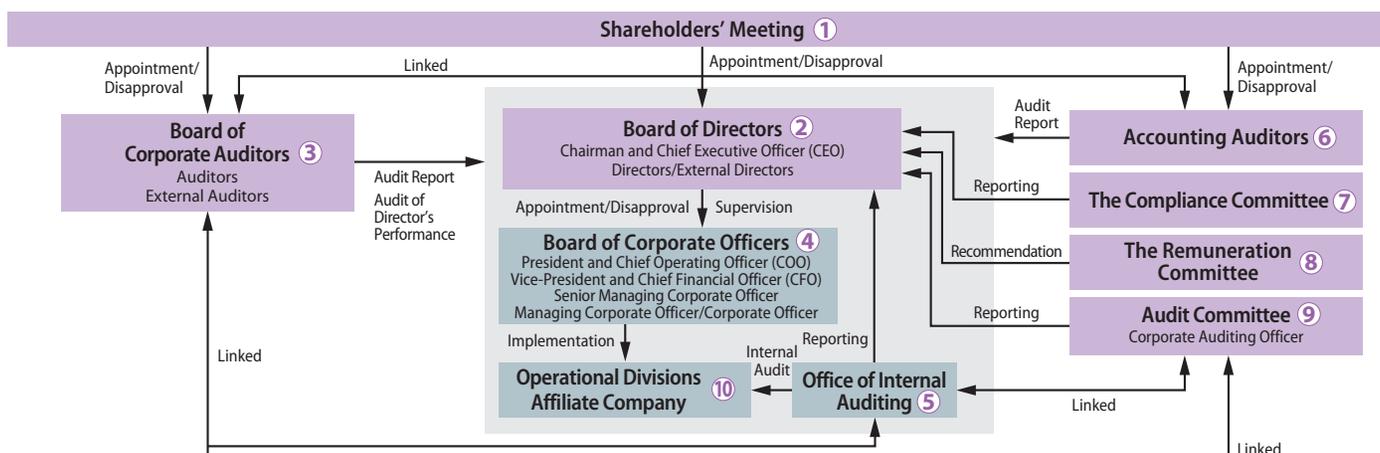
**Tsujimoto** We have been performing rigorous checks of our overseas subsidiaries for some time now using the aforementioned management information system. The focus of these audits was subsidiaries in the United States and Europe, which made it quite easy to create an auditing system. As you point out, though, emerging countries in Asia have far different business practices and cultures, and legal revisions occur much more frequently. This means that we need to perform rigorous audits not only with internal resources, but also using external professionals as well. At present, our auditing company has created a special team for us in local markets, and I also hope that our corporate auditors will broaden their auditing focus as well. This will mean that you [Mr. Iechika] will be requested to do more, so I ask for your understanding and assistance in this manner going forward.

\*1 In May 2012, the Tokyo Stock Exchange (TSE) made revisions to its listing regulations, which included an entry on expanding information disclosures pertaining to "independent directors".

\*2 In March 2012, a Cabinet Office Order was promulgated and enacted to reinforce disclosures on "independent directors" in securities reports and other corporate filings.

# 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 mechanisms 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. We make the utmost effort to enhance management health and transparency and maintain an organization that is responsive to changes in the business environment while focusing efforts on improving the satisfaction of shareholders, customers, employees and all our stakeholders. The introduction of a Corporate Officer System, part of our management system reforms, established a clear separation between the responsibilities of the Board of Directors and the corporate officers and facilitates faster decision-making and more flexible execution of operations while heightening management efficiency. In addition, we make an effort to ensure fairness and improve reliability by raising the level of our Board of Directors monitoring function with three external directors and two external auditors.

## ① Shareholders' Meeting

### Avoiding the Same Meeting Date as Other Companies and Encouraging Shareholders to Exercise Their Voting Rights

Capcom's general shareholders' meeting serves as its highest decision-making body and determines important matters as well as reports audit results of consolidated financial statements.

We have scheduled the meeting to take place around 10 days prior to the date on which most other companies in Japan hold their general shareholders' meetings to ensure as many shareholders as possible can be in attendance. 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.

A total of six resolutions were proposed at this year's shareholders' meeting, including on the issues of the "Proposed Appropriation of Retained Earnings" and the "Election of Four Corporate Auditors". Each of the six resolutions were approved and passed.

For more details, please see "Shareholders' Meeting Resolutions" on page 50.

## ② Board of Directors

### Management Decisions that Incorporate Outside Opinions

The Board of Directors consists of 11 members, meets regularly once a month and holds extraordinary meetings when necessary. Three of the 11 members are external directors, whose opinions, advice and feedback invigorate and improve the transparency and reliability of the Board of Directors while strengthening the management monitoring function. During the period under review, the Board of Directors met 16 times, engaging in lively discussions concerning reported items and matters for resolution. Moreover, we established a Remuneration Committee chaired by an external director to determine fair and appropriate compensation for directors. Also, two external directors appointed independent directors to avoid any conflict of interest among general shareholders in terms of decision-making.

Capcom has established a database of information on the company's business conditions, including at its overseas subsidiaries, so that its directors can correct monitor the status of the entire company.

For more on external directors, please see "External Director/External Auditor" on page 49.

## ■ Officer Remuneration (Fiscal 2011)

|  | No. of People | Remuneration Amount        |
|--|---------------|----------------------------|
| Directors (External Directors)         | 11 (3)        | ¥573 million (¥32 million) |
| Corporate Auditors (External Auditors) | 5 (3)         | ¥42 million (¥16 million)  |

\* Above includes director's bonus of ¥127 million for business activities in this fiscal year.

## ③ Board of Corporate Auditors

### Accounting Auditors Partner with Internal Auditing Department to Monitor Management

Capcom has adopted a corporate auditor system consisting of four members, two of whom are external auditors. In addition to formulating auditing policies and providing consultation regarding audit results, members of the Board of Corporate Auditors submit items identified in the audit to the president and

exchange opinions and information with accounting auditors when appropriate.

Capcom adopted the corporate auditor system over a company with committees because, in addition to the introduction of a Corporate Officer System, we had already introduced the company with committees concept of separating the monitoring and business operation functions through the appointment of three external directors and the establishment of a Remuneration Committee.

Moreover, to improve the effectiveness and efficiency of the auditing function, the Audit Committee, Audit Office and auditors mutually.

 For more on external auditors, please see “External Director/External Auditor” on page 49.

#### ④ Board of Corporate Officers

### Executing Operations Based on a Clear Management Policy

The Board of Corporate Officers is composed of 15 members selected by the Board of Directors. Under the supervision of the Board of Directors, corporate officers promptly and precisely execute business activities based on management policy determined by the Board of Directors and take agile and appropriate response to rapid changes in the management environment when deemed necessary.

#### ⑤ Office of Internal Auditing

### Ensuring and Verifying Legal Compliance and Operating Efficiencies

The audit office conducts internal audits on all divisions of Capcom and works with corporate auditors to verify and ensure the legal compliance and efficiency of the company’s operations. The audit office makes an effort to ensure that internal controls work effectively in every division and recommends improvements to audited divisions based on their findings.

#### ⑥ Accounting Auditors

### 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 individuals at this firm who perform audits at Capcom.

#### ■ Auditor Remuneration (Fiscal 2011)

|                         | Remuneration Based on Audit Operations | Remuneration Based on Non-Audit Operations |
|-------------------------|--|--|
| Delivery company        | ¥55 million                            | —  |
| Consolidated subsidiary | ¥2 million                             | —  |
| Total                   | ¥57 million                            | —  |

| Auditing Company       | Name of Certified Public Accountants |                   |
|------------------------|--------------------------------------|-------------------|
| PricewaterhouseCoopers | Designated and Engagement partner    | Shigeru Takahama  |
|                        |                                      | Masahiko Hagimori |

\* Assistants to accounting audit operations  
Certified public accountants: 4

Persons in charge of system audits and that have passed the certified public accountant exam: 13

\* Capcom’s contract with PricewaterhouseCoopers expired on June 15, 2012, and the company decided to engage KPMG AZSA LLC as its new auditing company.

#### ⑦ The Compliance Committee

### Focusing on Compliance as an Important Management Issue

The Compliance Committee, chaired by an external director licensed to practice law, meets quarterly to address various risks facing the company. The Compliance Committee receives reports on “period compliance checks” that investigate the business operations of each department semiannually and on the nature of inquiries made at the “Compliance Hotline”, which serves as a whistle-blowing system for the company. These reports are also presented to the board of directors through the Compliance Committee, and when necessary, it will issue reminders and recommendations as well as provide advice.

#### ⑧ The Remuneration Committee

### Reporting Details of Director Compensation

Based on the amount agreed upon at the general shareholder’s meeting, the Remuneration Committee recommends remuneration for each board member to the Board of Directors that is befitting and determined with consideration for each board member’s title, duties, tenure, full/part-time service, etc., as well as Capcom’s earnings and individual job performance. To ensure fairness and transparency, the committee chairman is an external director.

#### ⑨ Audit Committee

### Auditing Operations from a Risk Management Perspective

The Audit Committee conducts audits from a different perspective than the auditors in the Audit Office. They focus on risk management in all businesses and regularly monitor execution of business duties in Group companies. They also collect and compile information through individual business auditor investigations, providing analysis and reports to the Board of Directors. Based on these reports, the board works to prevent risks and executes business reforms while accurately ascertaining business inefficiencies and business risks inherent in the Group from the perspectives of compliance, validity and efficiency. And, in the event of an unforeseen situation, the Audit Committee contributes to the formulation of appropriate management decisions by quickly providing the Board of Directors with a report examining and analyzing the causal factors in an attempt to minimize losses to the company.

#### ⑩ Affiliate Companies

### Ensuring Effective Government through Close, Group-wide Collaboration

We have developed a group-wide compliance framework through close communication and collaboration between parent company and subsidiaries based on monthly subsidiary board meetings and the “Management Regulations for Subsidiaries”. Through this framework, we ensure that our operations are being undertaken properly so that corporate governance functions effectively.

# Corporate Governance Structure and Initiatives

## External Director/External Auditor

### Using External Perspectives to Ensure Effective Governance

External directors ensure the effectiveness of the corporate governance function by playing key roles in the Compliance 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 Director meetings in an effort to strengthen the management audit function.**

External auditors participate in Board of Directors and other important meetings, evaluating the directors' execution of their duties with an opinion of objectivity and fairness from the perspective of compliance and appropriateness.

In addition, the Executive Secretariat Office (7 staff) and Audit Office (4 staff) provide support work to ensure that our external directors and external auditors can perform their duties effectively.

### Board of Directors/Board of Corporate Auditors Rate of Attendance (Fiscal 2011)

|                   | Name              | Board of Directors/Board of Corporate Auditors Rate of Attendance  |
|-------------------|-------------------|--|
| External Director | Hiroshi Yasuda    | Attended all board meetings in fiscal 2011   |
|                   | Makoto Matsuo     | Attended all board meetings in fiscal 2011   |
|                   | Takayuki Morinaga | Attended 15 of 16 (93.8%) board meetings in fiscal 2011  |
| External Auditor  | Koji Takito       | Attended all board meetings and all corporate auditor meetings in fiscal 2011  |
|                   | Shigeru Miki      | Attended all five board meetings and all five corporate auditor meetings held after his appointment on December 1, 2011                                  |
|                   | Shoji Yamaguchi   | Did not attend any of the board meetings, but did attend two of nine (22.2%) corporate auditor meetings, held until his resignation on November 30, 2011 |

### Reason for the Selection of External Directors (June 2012)

**Hiroshi Yasuda:** Mr. Yasuda was selected as external director based his personality, acumen and previous appointments to important positions during his career. Mr. Yasuda serves as a member of the independent committee on takeover defense measures in his capacity as an external director independent from the executive management team. We have also determined none of the criteria inhibiting director independence as stipulated by the Tokyo Stock Exchange applies to him. Consequently, we have determined there is no potential conflict of interest with general shareholders in terms of his decision making.

**Makoto Matsuo:** Mr. Matsuo was selected as external director in order to ensure the effectiveness of corporate governance through the appointment of a legal professional that can provide apt guidance and advice on the company's legal compliance.

**Takayuki Morinaga:** Mr. Morinaga was selected as external director based on his management experience at other companies, professional career, track record, and personal connections in the business world. Mr. Morinaga serves as a member of the independent committee on takeover defense measures in his capacity as an external director independent from the executive management team. We have also determined none of the criteria inhibiting director independence as stipulated by the Tokyo Stock Exchange applies to him. Consequently, we have determined there is no potential conflict of interest with general shareholders in terms of his decision making.

### Reason for the Selection of External Auditors (June 2012)

**Yoshihiko Iwasaki:** Mr. Iwasaki was selected as external auditor because it was determined that his professional experience in tax administration will be of benefit to the company.

**Yoshihiko Matsuzaki:** Mr. Matsuzaki was selected as external auditor so that he can leverage his wealth of experience and knowledge from his many years in law enforcement administration to help the company further enhance its corporate governance.

### Comments from External Director

**Makoto Matsuo** Director



#### I will work to fulfill my duty to ensure effective internal control and legal compliance

The recent rash of scandals that has hit Japanese and foreign companies alike has caused investors to demand companies strengthen their internal control. Furthermore, the Companies Act and Financial Instruments and Exchange Act require the establishment of a "basic policy on internal control systems" to ensure the accuracy of financial reporting, legal compliance and management efficiency as well as the submission of an "internal control report" on the company's financial reporting. On top of this, Capcom is proactively expanding overseas and working to ensure management transparency by making "clearer quantitative management targets" for all of its group companies, in conjunction with their business growth. I am also aware of the importance found in building an optimum governance framework that encompasses global risk management and information management systems.

I will leverage my many years of professional experience and expertise as an attorney to strengthen Capcom's operational audits so as to enhance internal control and legal compliance based on objective and fair communication. I will also work to promote the enhancement of Capcom's compliance and risk management frameworks in order to respond smoothly and appropriately to unforeseen incidents should they occur.

### Comments from Auditor

**Kazushi Hirao** Corporate Auditor (Full-time)



#### I will rigorously audit the performance of the company in conjunction with its diversifying business operations

Capcom's team of corporate auditors consists of four individuals, including two external auditors.

Daily audit operations are implemented in accordance with the audit policy and segregation of duties determined by the Board of Corporate Auditors. To perform our duties, we communicate with the board of directors, Auditors Office and other persons within the company, and work to ensure a suitable audit environment is in place. In addition, collaborating with the Audit Committee newly established in the previous fiscal year, we constantly share information and views in order to reinforce operational audits. We also audit and verify frameworks that ensure director duties conform to laws and the company's articles of incorporate as well as frameworks for ensuring the appropriate operations of the company (internal control system).

Corporate auditors attend board of directors and other important company meetings, and based on reports from directors on their duties, when necessary, we request further explanations and browse important decision-making documents to investigate the status of Capcom's operations and assets.

With Capcom set to accelerate its global expansion going forward, I would like to strengthen our communication and information exchange with directors at our overseas subsidiaries and perform rigorous audits that incorporate external perspectives.

### 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 58th among listed companies in Japan in the “NEEDS-Cges” quantitative corporate governance 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 0 to 10 for eight categories, including “capital efficiency”, “information disclosure”, and “shareholder and capital composition”, among others, assigned based on some 130 indicators calculated from data of publicly released company documents, such as financial reports.

Capcom’s total score was 8.54 points, placing it in the top 1.7% of Japan’s 3,412 listed companies. Our score also greatly exceeded the average for all listed companies and for the industry, at 5.44 points and 7.34 points, respectively. Capcom achieved a perfect score of 10 for four of the eight categories, including “capital efficiency”, “shareholder and capital composition”, “shareholder returns” and “information disclosure”.

The main reasons for each of these perfect scores are given in the chart provided below, but in particular areas highlighted in yellow indicate measures that received particular notice.

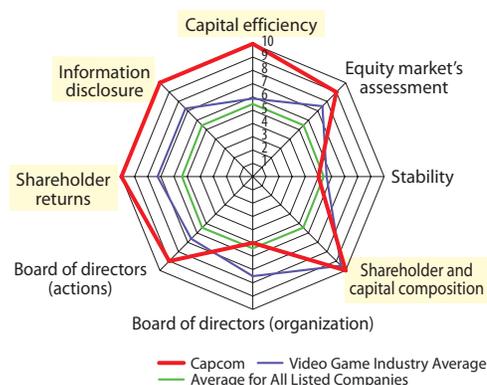
Moving forward, we will strive to continuously improve upon our results using such external data to achieve even more positive assessments. In addition, we will also promote more “visible” governance by publishing the details of this data on our corporate website.

#### Third-Party Assessment Results of Capcom’s Corporate Governance

##### Details of Capcom’s Corporate Governance Assessment

| Rank                                | Company | Total Score |
|-------------------------------------|---------|-------------|
| 58                                  | Capcom  | 8.54        |
| Categories                          |         | Score       |
| Capital efficiency                  |         | 10          |
| Equity market’s assessment          |         | 9           |
| Stability                           |         | 5           |
| Shareholder and capital composition |         | 10          |
| Board of directors (organization)   |         | 5           |
| Board of directors (actions)        |         | 9           |
| Shareholder returns                 |         | 10          |
| Information disclosure              |         | 10          |

##### 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                  | 10    | ROA<br>ROE<br>Cash flow  |
| Shareholder and capital composition | 10    | Ratio of institutional investor shareholdings<br>Ratio of foreign investor shareholdings<br>Cross-shareholding ratio |
| Shareholder returns                 | 10    | Shareholder return ratio<br>Increase in per share dividend   |
| Information disclosure              | 10    | Changes in accounting policy<br>Date of general shareholders’ meeting<br>Corporate website                           |

\* 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 fiscal 2011 general shareholders’ meeting, the requirements for the resolutions to be passed and the results of voting.

| Resolutions   | Approval Votes | Votes Opposed | Abstained Votes | Approval Rate (%) | Voting Results |
|---|----------------|---------------|-----------------|-------------------|----------------|
| First proposal: Proposed Appropriation of Retained Earnings for the 33rd fiscal year                          | 418,406        | 156           | 282             | 98.18             | Resolved       |
| Second proposal: Election of Four (4) Corporate Auditors  |                |               |                 |                   |                |
| Kazushi Hirao   | 413,502        | 5,060         | 282             | 97.03             | Resolved       |
| Masanao Iechika   | 413,436        | 5,126         | 282             | 97.01             | Resolved       |
| Yoshihiko Iwasaki   | 418,322        | 240           | 282             | 98.16             | Resolved       |
| Akihiko Matsuzaki   | 418,313        | 249           | 282             | 98.16             | Resolved       |
| Third proposal: Election of One (1) Substitute Auditor  | 418,348        | 214           | 282             | 98.17             | Resolved       |
| Fourth proposal: Election of Accounting Auditor   | 417,951        | 611           | 282             | 98.07             | Resolved       |
| Fifth proposal: Revision of Remuneration to Corporate Auditors as a Group                                     | 387,144        | 31,418        | 282             | 90.84             | Resolved       |
| Sixth proposal: Renewal of Countermeasures (Takeover Defense) in response to a Large-Scale Purchase of Shares | 251,104        | 167,458       | 282             | 58.92             | Resolved       |

\*1 Conditions for each proposal to be passed

(1) The first, third, fourth, fifth and sixth proposals could be approved with a majority approval of the voting rights of the shareholders in attendance.

(2) The second proposal could be approved with at least one-third of the company’s shareholders with voting rights in attendance and with a majority approval of the voting rights of the applicable shareholders in attendance.

(3) The percentage of approval is calculated according to the following formula.

Percentage of approval = number of voting rights for approval (votes exercised until the day prior to the meeting + certain shareholders in attendance on the day of the meeting) ÷ number of votes (votes exercised until the day prior to the meeting + shareholders in attendance on the day of the meeting)

\*2 Reason why certain voting rights of shareholders in attendance were not added to the total number of voting rights

The total confirmed number of votes in approval from the votes exercised until the day prior to the meeting and certain shareholders in attendance on the day of the meeting fulfilled the requirements for each proposal. As a result, the number of voting rights for which confirmation was not made in terms of approval, opposition or abstention from shareholders in attendance on the day of the meeting were not counted because the proposals were legitimately approved in accordance with the Companies Act of Japan.

# Corporate Governance Structure and Initiatives

## Internal Control System Status

### Strengthening Risk Management through the Development of Our Internal Control System

As part of directors' due diligence, Capcom developed the following internal control system based on the Companies Act and its enforcement regulations to ensure that all Group company practices comply with regulations and are executed in an efficient manner.

#### 1. Creation of a Structure to Ensure Directors Perform their Duties in Accordance with Laws and Regulations

To strengthen the management monitoring function and enhance corporate value, Capcom strives to prevent illegal activities and ensure compliance through regular Compliance Committee checks while attempting to invigorate and heighten the monitoring function of the Board of Directors in accordance with advice and recommendations from the three external directors.

#### 2. Internal Control over Financial Reporting

Based on our internal control rules, Capcom has developed and continues to operate the necessary systems in order to guarantee reliable financial reporting and ensure proper internal control over financial reporting, in accordance with the Financial Instruments and Exchange Act. Our internal control system over consolidated financial reporting at the end of the period under review has been determined as effective and the results of this assessment have been reported to the Director-General of the Kanto Regional Finance Bureau in the form of an internal control report. The results have also been disclosed through EDINET and our corporate website.

#### 3. Develop a System to Maintain Appropriate Business Practices

##### (1) Information Management and Storage

The management and storage of documents and information such as the minutes from board meetings is conducted in accordance with "document management regulations".

##### (2) Risk Management

A risk management structure and "crisis management regulations" were created to proactively prevent crises and execute the appropriate actions if one occurs.

##### (3) Efficient Execution of Business Operations

Capcom introduced a Corporate Officer System under which the duties of the Board of Directors and corporate officers are separated to enable smooth and flexible business operations and enhance management efficiency.

##### (4) Legal Compliance System

The "Capcom Code of Conduct" is our guideline for legal compliance. We seek to prevent illegal activities and misconduct through employee training and monitoring programs.

##### (5) Operational Audit Structure

In accordance with auditing policies, the execution of operations by corporate officers are audited, with recommendations for improvements indicated in auditor reports as necessary to ensure internal controls function effectively. To enable auditors to perform their duties smoothly

and appropriately, an employee is selected with the consent of auditors to provide assistance.

#### 4. Basic Policy and Framework for the Eradication of Antisocial Forces

Capcom takes a firm stand against antisocial forces that threaten social order and the safety of citizens, and strictly prohibits any association with such groups at the organizational, employee and individual levels. If we are contacted by such groups, in addition to swift organizational measures, we will cooperate with the police and other relevant authorities to firmly refuse unlawful demands.

While Capcom attempts to remain aware of information related to these groups in order to avoid contact or involvement, if we discover that we have unknowingly become involved with them, we will immediately terminate the association with the help of the police and other relevant authorities.

## Initiatives to Strengthen Compliance

### Focusing on the Viability and Effectiveness of Our Compliance System

As noted on page 48, Capcom has established a Compliance Committee chaired by an external director that periodically reports to the board of directors and issues reminders and recommendations as well as provides advice based on reports from local compliance committees. The Internal Auditing Department, which has been established as the committee's secretariat, works to enhance the viability of the entire Capcom Group's compliance system by planning and operating the internal compliance system and functioning as the department that provides consultations and receives notifications to prevent legal violations before they occur.

Furthermore, the "Capcom Code of Conduct" was formulated to strengthen our compliance system. Capcom is dedicated to proactively preventing illegal acts and misconduct, and ensuring legal compliance through the promulgation of corporate ethics and principles.

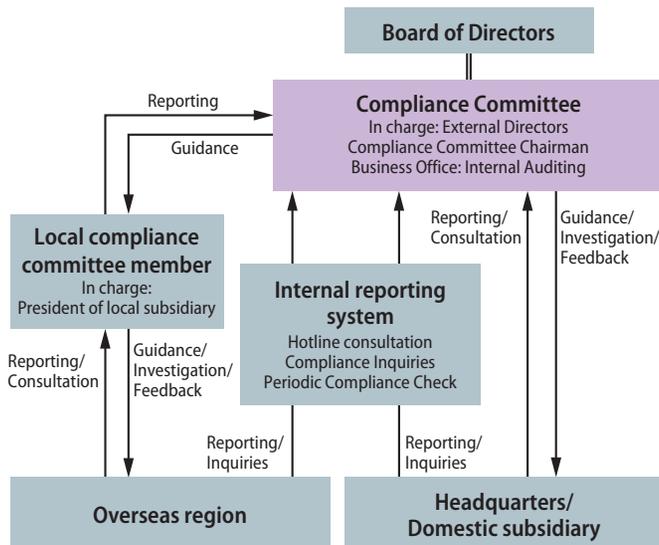
During the period under review, the Compliance Committee met four times and conducted compliance training sessions for new employees. Also, "e-learning sessions on legal compliance and personal information protection rules" were given to all employees.

Compliance is the foundation of corporate governance and the basis for the fulfillment of corporate social responsibility. Capcom will continue to instill this understanding in all its officers and employees.

#### ■ Status of Training and Other Programs (Fiscal 2011)

| Activity  | No. of Times | Target        |
|---|--------------|---------------|
| Compliance training                               | 1            | New employees |
| Sessions on legal compliance                      | 2            | All employees |
| Sessions on personal information protection rules | 2            | All employees |

## ■ Compliance Structure



## Periodic Compliance Checks

### Compliance Status Checked Regularly

Capcom conducts “periodic compliance checks” to regularly monitor the operational status of each of its departments. Every six months more than 30 items, including fair business practices, workplace health and safety, and information asset management, are checked using a paper questionnaire, while more than 40 compliance officers covering each department are also interviewed individually to confirm the effectiveness of our overall compliance system.

In response to feedback received from interviews and questions during the “periodic compliance check”, such as on protocol for issuing documents to business partners and proper document management practices, clear-cut answers are provided to related persons and when necessary, all employees are notified and made aware using the intranet.

## Compliance Hotline

### Special Hotline Set Up for Compliance Issues

Capcom established the “Compliance Hotline” and “Corporate Ethics Hotline Rules” in accordance with the Whistle-Blower Protection Act of Japan and as a means to prevent and uncover risks in order for the company to thoroughly practice compliance-focused management.

This hotline enables the company to smoothly address whistle-blowing complaints from employees and have in place an environment to prevent legal violations or illegal behaviors as well as take corrective action.

## Information Security Initiatives

### Building Mechanisms for the Appropriate Protection of Information Assets

As a company primarily engaged in the planning and development of software, Capcom is an environment where the latest information

technology is always in use. Compared to companies in other lines of business, we face relatively high information security risks.

Capcom protects its information assets from theft, loss, accident and threat of damage, and has formulated an information security policy appropriate for a corporation trusted by society.

We also provide employees with a self-learning environment via the company intranet, and publish internal information regulation collections including “Basic Security Policies”, “System Usage Policies” and “Basic Disclosure Policies”.

We use a firewall to protect us from external attacks via the Internet, and our internal system requires each user to have a unique ID, password and PIN to access the system, thereby reducing the risk of unwelcome intruders.

Furthermore, we are in the process of patching known security holes. Furthermore, over the next few years we will implement measures to prevent information leaks, which will include (1) identification of information leak risks, (2) creation of an early response structure to respond to information leaks and (3) establish response process to minimize damage in event information is leaked.

We will require the help of an outside investigative company to conduct the inspection and diagnosis of our information management system involved in (1) to clearly identify the critical risks we face, while (3) will involve a system capable of quickly auditing the information log to find the cause and prevent the reoccurrence of problems. In this manner, we are focusing our efforts on using our expertise to enhance our internal response capabilities.

To improve security literacy among all our employees, we are implementing internal training to raise awareness and educate on the topic of information leak risks.

Through these and other initiatives, Capcom is striving to create a structure for making an appropriate first response in the event information is leaked or an accident occurs.

## Business Continuity Plan (BCP) Initiatives

### Strengthening Our Crisis Management System

Capcom is working to strengthen its crisis management system in order to minimize damages, losses and disrepute, and ensure the company continues to function, based on an appropriate and smooth response, in the event of an emergency, such as a natural disaster or accident. If an emergency occurs, under our crisis management rules, a task force consisting of top management will be set up to assess the extent of damage to the company. In addition, we have established action criteria and an emergency contact route in our crisis management manual in order to ensure an appropriate response and convey information to one another in a prompt manner.

In the wake of the Great East Japan Earthquake, we are striving to build a crisis management system that will ensure our business continuity in the event of an unforeseen incident or natural disaster. This will be made possible by strengthening our risk management through the stockpiling of disaster-relief supplies, implementation of a safety confirmation system, and storage of Health Kits for flu, to ensure that we can properly and quickly respond to these emergencies.

## IR Activities

### 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, our basic policy for IR activities 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 to enhance management transparency.

#### 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 Law 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, 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 business reports.

#### 3. Quiet Period

To prevent the unauthorized disclosure of quarterly earnings information prior to official announcements, Capcom has established a quiet period starting one month prior to the scheduled earnings announcement. 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.

#### 4. Third-Party Assessments of IR Activities

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 the period under review, we received the "Best IR Award 2011", an Award for Excellence at the "Nikkei Annual Report Awards 2011", and our IR website placed first in the Gomez Consulting Co., Ltd's "Investor Relations Site Ranking 2011" for the third consecutive year.

With an awareness of the importance of accountability, we will continue our efforts to earn the trust of investors and provide timely disclosure.

#### 5. IR Team

Capcom IR activities are conducted by four full-time staff members in addition to the chairman, the president and the IR director on behalf of shareholders and investors in Japan and overseas.

For earnings information and other IR-related inquiries, please contact the IR team.



Investor Relations Staff

**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  
(excluding weekends and  
public holidays)

## CSR Initiatives

### Offering Educational Assistance as Part of Our Social Responsibilities as a Game Software Manufacturer

Video games are a comparatively new cultural phenomenon about which there is little academic research. Rather than examining the educational aspects, theories about the detrimental effects resulting from violent content have been persistently trumpeted to the general public. Nevertheless, the idea of a "future career" as a video game creator is very popular among children, and some schools have even begun to incorporate portable video game consoles into the classroom in recent years.

As part of our corporate social responsibilities as a game software manufacturer, we believe that fostering an understanding about video games by inviting elementary and junior high school students to visit our company and proactively participate in classroom activities at schools. We conduct two highly acclaimed programs: the "Career Education Support program" providing an overview of the company, focusing on the rewards and challenges of developing video game software; and the "Game Literacy Education Support program" teaching students how to develop a healthy relationship with video games.

In the period under review, we launched a new educational program focused on the "Career Education Support program" based on the Ministry of Education, Culture, Sports, Science and Technology's new guidelines on fostering "zest for life". This program represents our commitment to continually improve our educational assistance based on feedback received from educators.

As a result, as of March 31, 2012, 1,256 students from 177 schools had visited the company, and Capcom school visits have been held for a cumulative total 1,455 students in 15 schools, including Takarabe Kita Elementary School in Kagoshima Prefecture.

For the next fiscal year, based on the advice of a university education specialist and feedback received from schools, we will initiate a new program using the "Pictorial Book for Mathematics Used at Work" (tentative name) in collaboration with the NPO Association of Corporation and Education. This will enable us to promote CSR activities more aligned to the needs of schools today.

#### ■ Educational Support Programs

|                      | Fiscal 2011 |              | Cumulative<br>(fiscal 2005 to 2011) |              |
|----------------------|-------------|--------------|-------------------------------------|--------------|
|                      | Schools     | Participants | Schools                             | Participants |
| Capcom school visits | 7           | 665          | 15                                  | 1,455        |
| Company visits       | 28          | 246          | 177                                 | 1,256        |

## Capcom School Visit Case Study

### June 24, 2011: Soo Municipal Takarabe Kita Elementary School in Kagoshima Prefecture

On June 24, 2011, Capcom visited Soo Municipal Takarabe Kita Elementary School in Kagoshima Prefecture. Other students from nearby elementary and junior high schools were also invited to attend the class. Takarabe Kita Elementary School is promoting the “Dream Building Project” where people from various industries are invited to give a presentation at the school to help students achieve their dreams for the future.

This marked the first time that we held the program more focused on career education. A total of 58 students learned about the type of work performed at a video game company through popular video games. All of the students showed a strong interest in the work of video game developers and their workplace environment. During the part of the presentation when asked what type of skills were needed to work at a video game company, many students raised their hand and shared their guesses, providing a lively and fun classroom experience.



## Capcom School Visit Feedback

### We received a wide range of comments after our Capcom school visits and student company visits.

- I felt like I wanted to become a programmer. I also found that it's important for a programmer to be able to reflect many different views from within the company in their work (elementary school student).
- The class taught me that it takes the teamwork of many different people just to make one video game (junior high school student).
- It was very meaningful for the children to learn about the work of video game creators in one of Japan's most prominent industries (public library employee).
- I felt it was a great opportunity for children to learn not only about work at a video game company, but also about what it takes to be a contributing member of society. It was also a great chance for parents to be more aware of how they can communicate with their children through video games (parent of elementary school student).
- Having the chance to learn directly from video game professional in a classroom format will likely leave a lasting impression on students (elementary school teacher).
- I found that students listened quite attentively and felt it was a good opportunity for students to learn from and interact with working adults other than their teachers (junior high school teacher).

## Providing Free Copies of “Secrets of Video Games” to Schools and Public Libraries

Capcom publishes the educational comic “Secrets of Video Games” in cooperation with Gakken Co., Ltd. The comic offers insights into the game development process, promotes healthy relationships with video games and provides information on what to study to become a video game creator.

The comic is distributed free of charge to 24,000 elementary schools and 2,700 public libraries across Japan, as well as to students as an educational material in advance of a Capcom visit to their school. It is also recommended by the National Congress of Parents and Teachers Association of Japan for use as a secondary teaching material in integrated courses and other classroom settings.

## Rating System for the Sound Development of Youth

The video game industry voluntarily restricts game content and sales methods to limit access to sexual and violent content for the healthy development of young people who frequently play home video games. Specifically, before all home video games are sold, they are given a rating by the Computer Entertainment Rating Organization (CERO) that informs consumers of the nature of the content and age-appropriateness via a label on the game package. The industry voluntarily prohibits the sale of software intended for users 18 years or older (category Z) to consumers who are under 18, with 99% of retailers\* separating game displays by ratings category and checking purchaser identification to confirm age. Furthermore, to ensure fairness, CERO is not affiliated with any company or organization, but exists and operates independently.

In addition, the latest home video game consoles include a parental control function that enables parents to limit the purchase and use of certain games according to their ratings. The industry is making a concerted effort to promote the adoption of this ratings system and improve its efficacy.

In the period under review, Capcom made an effort to promote a greater understanding of this ratings system through detailed explanations in “Secrets of Video Games” and on its corporate website, as well as during student visits to the company and presentations at schools.

\* From the results of the 4th CERO Age-Based Ratings System Field Survey



Gakken's “Understanding” Series:  
“Secrets of Video Games”

Rating Symbol

# Risk Management

## Various Risk Management Efforts to Achieve Stable Earnings

Capcom faces many risks (see below) that have the potential to affect operating performance and the company's financial condition. A risk management system has been created to minimize the impact of these risks on operating and other performance.

For example, in terms of intellectual property rights, the legal affairs department (composed of patent and trademark copyright teams) conducts preliminary audits and submits the required applications during the planning and production stages of development in an effort to avoid the risk of infringement in terms of the acquisition and maintenance of rights. Capcom also focuses on internal education by holding in-house intellectual property study groups on a regular basis and conducting activities to impart legal knowledge.

Furthermore, in terms of "risks related to overseas operations", in consideration of the culture, religion and customs of each country the legal affairs division and quality control departments conduct game content checks in addition to those conducted by the research department, and the legal affairs division consults with local legal teams as necessary to ensure compliance with local laws. Regarding the increased task risk of expanding overseas operations, Capcom requests advanced pricing agreements to limit transfer pricing risk.

### Risks Affecting Operating Results

Capcom is exposed to risks which may affect its operating results, financial status, stock price and its operational environments, including but not limited to those stated in writing below, which are based on information that is available as of March 31, 2012 and certain assumptions by the Group that serve as the basis of rational judgments.

#### 1. Risks Relating to Consumer Online Games

##### (1) Increase in Development Costs

In recent years, home video game consoles have become sophisticated partly due to the adoption of computer graphics technology, and the development costs have tended to increase. Therefore, there is a risk that the development costs may become irrecoverable with respect to some software titles, including those which have failed to fulfill the sales plan.

##### (2) Obsolescence of Game Software

Game users are mainly children and young people. In addition, competition against other industries which have the same customer base is intensifying, including mobile phones and the Internet. Therefore, the life of products is not necessarily long, and games become outdated quickly; there is a risk that product inventory may increase and development costs may become irrecoverable.

##### (3) Dependency on Popular Series

Capcom releases many game titles in the market. Among them, a handful of titles tend to be dominant in terms of popularity. Further, sequel titles undergo limited volatility in terms of sales, and help stabilize our business performance. However, we may lose users in the event of any problem in these popular software titles or any change in the market environment. There is a risk that it may result in having an adverse effect on our future business strategies and business performance.

##### (4) Violent Scenes and Depictions

Some of our popular software titles have provocative graphics and text, such as violent and grotesque scenes. Accordingly, in the event of violent incidents and other criminal cases involving juveniles, we may be subject to a smear campaign by some sections of the mass media which often point out the correlation between crime and games. Therefore, there is a risk that it may result in having an adverse effect on our business performance, corporate value and narrowed distribution channel under instructions by the relevant authorities.

##### (5) Seasonal Fluctuations

Trends in the demand for games fluctuate substantially throughout the year. As the market experiences peak demand during the Christmas season until New Year's Day, the first quarter of the year tends to be relatively quiet. Accordingly, there is a risk that business performance may substantially fluctuate from quarter to quarter.

##### (6) Trends in Proliferation of Home Video Game Consoles

Our home video game titles are primarily supplied to game consoles made by Sony Computer Entertainment Inc., Nintendo Co., Ltd. and Microsoft Corporation. Therefore, there is a risk that our business strategies and business performance may be adversely affected in the event of any setback in the proliferation trends or any problem in their game consoles.

##### (7) License Agreements with Console Manufacturers

We take a multi-platform approach, which involves supplying home video game software titles to all existing game platforms. Accordingly, we have a license for manufacturing and distributing game software from Sony Computer Entertainment Inc., Nintendo Co., Ltd. and Microsoft Corporation, who are also our competitors. However, there is a risk that amendments to the licensing agreements and new terms and conditions of the agreements may have an adverse effect on our future development strategies and business performance.

##### (8) Technological Enhancement of Home Video Game Platforms

New home video game platforms have been released every four to six years in the past. In the hardware transition stage, users tend to be reluctant to purchase new software. Therefore, there is a risk that our business performance may be adversely affected by sluggish sales in the transition stage.

##### (9) Expansion of Used Software Market

Currently, used software accounts for approximately one-third of the domestic software market. Also, the flood of pirated copies in the Asian market is becoming increasingly serious.

Therefore, it is gradually becoming more difficult to recover the development costs. There is a risk that it may adversely affect our operating results, depending on the trends in the market.

#### 2. Risks Relating to Other Businesses

##### (1) Mobile Content

In recent years, the Internet market has been expanding on the rapid growth of smartphones and other mobile handsets, but if hardware development lags new technology, it may become impossible to ensure the smooth provision of games and other digital content. Furthermore, in the event that the number of users declined on SNS sites where we distribute content as a result of decentralized amusement or diversification of consumer needs, there is a risk that it may adversely affect our operating results.

## (2) Arcade Operations

There is a risk that customer traffic and the unit value of customers may be adversely affected by the popularity of installed machines, diversification of entertainment, falling birth rate, intensified competition and changes in the market environment and other such factors.

## (3) Amusement Equipments

There is a risk that our business performance may be adversely affected by the closing gap between arcade games and home video game consoles, the decline in facility operators' purchasing power, changes in the business environment and uncertainties for growth.

At the same time, the number of customers to whom we provide peripheral devices for game machines is quite limited. And, the performance of the "Amusement Equipment business" may depend heavily on the sale of these devices in some fiscal years. Under the provision of the "Entertainment and Amusement Trade and the Implementation Rules for the Entertainment and Amusement Trades Rationalizing Act", we are allowed to sell the peripheral devices for only those machines which passed the test of the Security Electronics and Communications Technology Association. The performance of this business segment may be affected significantly by the trend of such industry systems.

Thus, it is possible that changes in such a trend could negatively affect the operating results of the entire Capcom Group.

## 3. Risks Relating to Overseas Operations

- (1) There is a risk that our business strategies and business performance may be adversely affected by market trends and the existence of competitors in other countries within our sales territory, in addition to other various country risks including political, economic, legislative, cultural, religious, custom and foreign currency risks.
- (2) As the volume of the overseas transaction expands, it is possible that the loss or expense burden (i.e.; tax rates and custom duties) will increase depending on the regulations or the interpretation of the accounting laws by the audit authorities. The operating results and financial position of the Capcom group may be affected negatively by these conditions.
- (3) There is a risk that our business performance may be adversely affected by the increase in expenses and the failure to recover overseas investment in the event of unforeseeable circumstances which cannot be predicted by feasibility studies.

## 4. Risks Relating to Financial Status and Operating Results

- (1) As mentioned before, home video game software, which is our principal business, is exposed to the risk of increasing inventories, as the products generally have a short life and become obsolete quickly. There is a risk that our financial status and operating results may be adversely affected by their obsolescence.
- (2) As already explained, our business performance may substantially fluctuate from quarter to quarter, as the market environment may change throughout the year in our industry. Also, cash flows may not be generated as originally planned, due to the fall in sales, changes in management strategies and other factors. There is a risk that it may result in having an adverse effect on the operating results in the following years.

## 5. Risks Relating to Development Technologies

Products relating to game machines including home video game consoles are subject to rapid technological progress, and are constantly evolving. Therefore, there is a risk that sales opportunities may be lost due to delays in responding to technological progress, which may result in having an adverse effect on our operating results and product quality.

## 6. Legislative Risks

Arcade operations are controlled by the "Entertainment Establishments Control Law" and its related regulations and ordinances. Due to the amendment and establishment of the laws and ordinances in the future, the scope of business activities may be subject to changes or preliminary examination, inspection and other procedures carried out by regulatory agencies may become stricter. There is a risk that it may result in impeding our business plans, and adversely affecting the business and operating results.

## 7. Risks Relating to Intellectual Property Rights

The development and distribution of game software involve intellectual property rights such as patent rights, trademark rights, utility model rights, design rights, copyrights, etc. Therefore, there is a probability that the development and distribution of game software may become difficult if we cannot acquire intellectual property rights. Also, one cannot deny the risk of a third party's intellectual property rights being violated by us. There is a risk that they may adversely affect our operating results.

## 8. Risks Relating to Lawsuits

In the past, Capcom has sued over copyright infringement or been sued in other cases. In addition, as the company expands its business domain, it is possible Capcom may be taken to court in the future over product liability, labor or intellectual property rights related issues. As a result, there is a risk that they may adversely affect our operating results, depending on the type of the lawsuit and the amount claimed in the lawsuit.

## 9. Risks Relating to Information Leaks

It is possible for hardware, software and databases to be compromised through unauthorized access via technology exceeding our assumptions, computer viruses, and other unforeseeable events. Accordingly, in the event that confidential information related to individual persons or game development was leaked, damages may have to be paid, the company's image may be tarnished and development may be brought to a halt. Therefore, the operating results and financial position of the Capcom group may be negatively affected by these incidents.

## 10. Development and Assurance of Human Resources

The expression, "the business is all about its people", means that the future success and growth of any corporation depends upon competent employees. Although Capcom group is actively engaged in recruiting, educating, and securing excellent human resources, the mobility of personnel is relatively high in the game industry, and it is possible that our business activities will be disturbed if any of our talented employees decide to resign or to move to our competitors.

Therefore, the operating results and financial position of the Capcom group may be affected negatively by these factors.

# Directors and Corporate Auditors

## Directors



### 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)

### Tamio Oda

Director, Executive Vice President and Chief Financial Officer (CFO)

Apr. 1969 Entered into The Sanwa Bank, Limited. (Currently The Bank of Tokyo-Mitsubishi UFJ, Limited.)  
 Jun. 1991 Managing Director of Unicharm Corporation  
 Jun. 1997 Branch Manager of Nakanoshima Branch of the said bank  
 Jun. 1999 Managing Director of Daisue Construction Co., Ltd.  
 May 2001 Advisor of the Company  
 Jun. 2001 Director of the Company  
 Jun. 2003 Managing Director of the Company  
 Jul. 2004 Director, Executive Corporate Officer, Chief Financial Officer (CFO) and in charge of Corporate Strategies, Administration, President's Office, Affiliated Companies' Management of the Company  
 Jul. 2007 Director, in charge of Corporate Management of the Company (to present)  
 Jul. 2010 Director, Chief Financial Officer (CFO) of the Company (to present)  
 Apr. 2011 Director, Executive Vice President of the Company (to present)

### Kazuhiko Abe

Director and Executive Corporate Officer

Apr. 1987 Entered into The Mitsubishi Bank, Limited. (Currently The Bank of Tokyo-Mitsubishi UFJ, Limited.)  
 Jul. 1994 Deputy Manager of New York Branch, the said Bank  
 Nov. 2000 Executive Officer, Hikari Tsushin, Inc.  
 Jan. 2002 Executive Officer, Intuit Co., Ltd. (Currently Yayo Co., Ltd.)  
 Mar. 2003 Entered into the Company  
 Jul. 2003 General Manager of Corporate Planning Dept. of the Company  
 Apr. 2004 Corporate Officer of the Company  
 Apr. 2006 Managing Corporate Officer of the Company  
 Jun. 2006 Director, Chief Financial Officer (CFO) of the Company  
 Jul. 2007 Director, in charge of Group Management of the Company  
 Jul. 2010 Director, in charge of Overseas Business of the Company (to present)  
 Apr. 2011 Director, Executive Corporate Officer of the Company (to present)

### Yoshifumi Yamashita

Director and Executive Corporate Officer

Feb. 1992 Entered into the Company  
 Apr. 1997 General Manager, Business Dept. in R&D Division of the Company  
 May 2001 Corporate Officer and Head of Budget Control Office of the Company  
 Jul. 2003 Managing Corporate Officer, Head of Creative Division of the Company  
 Apr. 2011 Executive Corporate Officer (to present), Head of Human Resources, IT and Research & Development Management  
 Jun. 2011 Director, in charge of Human Resources, IT and Research & Development Management of the Company (to present)

### Katsuhiko Ichii

Director and Executive Corporate Officer

Aug. 2004 Entered into the Company  
 Oct. 2004 General Manager of Home Video Games Business of the Company  
 Apr. 2005 Corporate Officer Head of Home Video Games Business Strategy Division of the Company  
 Apr. 2006 Managing Corporate Officer and Head of Home Video Games Business of the Company  
 Apr. 2011 Executive Corporate Officer (to present), General Manager of Consumer Entertainment Business Management Group and Head of Consumer Games Business Division and Consumer Games R&D Division of the Company  
 Jun. 2011 Director, in charge of Consumer Games Business of the Company (to present)

### Sumitaka Hatsuno

Director

Dec. 1989 Entered into the Company  
 Apr. 1993 General Manager of Arcade Operations Dept. of the Company  
 Jun. 1999 Corporate Officer and General Manager of Arcade Operations Dept. of the Company  
 Jul. 2004 Managing Corporate Officer of the Company  
 Jun. 2005 Director of the Company  
 Apr. 2006 Director, Executive Corporate Officer of the Company  
 Jul. 2007 Director, in charge of Arcade Operations, Arcade Game Sales and Pachinko & Pachislo Business of the Company  
 Jan. 2010 Director, in charge of Arcade Game Sales, Pachinko & Pachislo Business, Purchasing Dept., Ueno Branch and Dedicated Dabinet QC Dept. of the Company (to present)  
 Apr. 2010 Director, in charge of Arcade Business, Pachinko & Pachislo Business and Production Control Department of the Company  
 Jun. 2011 Director, in charge of Arcade Business and Pachinko & Pachislo Business of the Company (to present)

### Hiroshi Tobisawa

Director

Aug. 1997 Entered into the Company  
 Apr. 1998 General Manager of Corporate Planning Dept. of the Company  
 Jun. 1999 Corporate Officer & General Manager of Home Video Games Domestic Sales Division of the Company  
 Apr. 2001 Managing Corporate Officer of the Company  
 Jun. 2005 Director of the Company  
 Jul. 2007 Director, in charge of Overseas Business of the Company  
 Jul. 2010 Director, in charge of Special Missions of the Company  
 Apr. 2011 Director, in charge of Asian countries of the Company (to present)

## External Directors



Takayuki Morinaga

Makoto Matsuo

Hiroshi Yasuda

## Hiroshi Yasuda

Director

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

\* Messrs. Hiroshi Yasuda, Makoto Matsuo and Takayuki Morinaga are External Directors.

## Makoto Matsuo

Director

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

## Takayuki Morinaga

Director

|           |  |
|-----------|--|
| 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 Bank              |
| Apr. 1996 | Senior General Manager of the Bank                     |
| Sep. 1998 | Managing Director, Yazaki Corporation                  |
| Sep. 2000 | Senior Managing Director, Yazaki Corporation           |
| Jun. 2006 | Vice Chairman, Yazaki Corporation                      |
| Jun. 2007 | Director and Executive Councilor, Yazaki Corporation   |
| Jun. 2008 | Advisor of Yazaki Corporation                          |
| Jun. 2009 | External Director of the Company (to present)          |

## Auditors



Masanao Iechika

Akihiko Matsuzaki

Kazushi Hirao

Yoshihiko Iwasaki

## Kazushi Hirao

Corporate Auditor (full-time)

|           |  |
|-----------|--|
| Apr. 1975 | Entered into Hitachi Zosen Corporation                                       |
| Apr. 1987 | Assistant Manager of the said company  |
| 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)(to present)                     |

## Yoshihiko Iwasaki

Corporate Auditor (full-time)

|           |   |
|-----------|---|
| 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 Examination and Criminal Investigation) of Hiroshima Regional Taxation Bureau |
| Jul. 1999 | Deputy Commissioner (Large Enterprise Examination and Criminal Investigation) of Hiroshima Regional Taxation Bureau, the National Tax Agency                                |
| 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)(to present)   |

\* Messrs. Yoshihiko Iwasaki, Akihiko Matsuzaki are External Auditors.

## Masanao Iechika

Corporate Auditor

|           |  |
|-----------|--|
| Apr. 1962 | Registered Lawyer (Osaka Bar Association)  |
| Apr. 1981 | Vice President of Osaka Bar Association, Governor of Japan Federation of Bar Association         |
| Mar. 1988 | Member of Commercial Code Committee of Judicial System and Research Dept. of Ministry of Justice |
| Jun. 1994 | Outside Corporate Auditor of Mitsubishi Tanabe Pharma Corporation (to present)                   |
| Jun. 1998 | Outside Corporate Auditor of Keihan Electric Railway Co., Ltd. (to present)                      |
| Apr. 2001 | Outside Corporate Auditor of ES-CON JAPAN Ltd. (to present)                                      |
| Jun. 2002 | Director of the Company  |
| Jun. 2004 | Professor of the Konan Law School  |
| Dec. 2007 | Executive Partner of Daiichi Law Office, P.C. (to present)                                       |
| Jun. 2008 | Corporate Auditor of the Company (to present)  |

## Akihiko Matsuzaki

Corporate Auditor

|           |  |
|-----------|--|
| Apr. 1968 | Entered into National Police Agency  |
| Feb. 1975 | Chief of Foreign Affairs Section, Security Bureau, Hyogo Prefectural Police Headquarters |
| May 1979  | First Secretary of Embassy of Japan in Thailand  |
| Jul. 1988 | Chief of Tottori Prefectural Police Headquarters   |
| Apr. 1993 | Chief of Nagano Prefectural Police Headquarters  |
| Aug. 1996 | Director General of Chubu Regional Police Bureau   |
| Sep. 1997 | Director of the Board, Japan Road Traffic Information Center                             |
| Apr. 2002 | Auditor of Japan Police Mutual Aid Association   |
| Sep. 2003 | Director of the Board, Japan Police Mutual Aid Association                               |
| Mar. 2005 | President of Kioi Kyosai Co., Ltd.   |
| Jul. 2009 | Auditor of Japan Police Cooperative (Part-time) (to present)                             |
| Jun. 2012 | External Corporate Auditor of the Company (to present)                                   |