

Establishing a More Proactive Governance via Decisions Based on Transparent Operations and Judgments Made from Society's Perspective

Japan's Corporate Governance Code, formulated by the Tokyo Stock Exchange, went into force on June, 2015. This code requires listed companies in Japan to observe global standards for governance. Chairman Kenzo Tsujimoto and External Director Makoto Matsuo discuss the proactive governance targeted by Capcom and the role of external directors in achieving this objective.

Strengthening Dialogue with Shareholders in Advance of Governance Code

Matsuo Up to now, corporate governance in Japan has placed emphasis on defensive measures such as enhancing internal controls and mitigating risks. However, the focus going forward will be on offensive measures such as improving profitability and capital efficiency. I applaud Capcom for being one of the first corporations in Japan to revise their governance. In light of new developments such as the Corporate Governance Code, I am interested to once again hear your thoughts on corporate governance.

Tsujimoto Up to now, Capcom has strengthened governance from the perspectives of effectiveness and visualization while ensuring management transparency, soundness and legal compliance in recognition of the fact that sustainable growth is a necessary condition for appropriate corporate governance. Likewise, in terms of the Corporate Governance Code emphasis on dialogue with shareholders, we have always focused on our obligations to shareholders and investors.

Matsuo I was surprised by the numerous measures Capcom undertook during the past year in anticipation of the Governance Code. First of all, the notice for the shareholders' meeting was impressive. You reported on enhancements to Capcom's governance structure, including increasing the ratio of external directors on the Board, while addressing the necessity of takeover defense measures within the growth strategy. You also provided extremely detailed explanations using charts and graphs to ensure shareholder and investor understanding.

Tsujimoto At the shareholders' meeting in the previous fiscal year the takeover defense measure had been rejected, so during the past year we proactively engaged in dialogue pertaining to this item with shareholders and institutional investors more than we have in the past. Presently, there is significant opposition to corporate takeover defense measures in general, thus shareholder and institutional investor resistance is not limited to Capcom. However, if a large-scale purchaser could easily change development policies, potentially weakening the development structure, I think this would result in reducing Capcom's corporate value.

Following through with growth strategies, enhancing corporate value over the medium- to long-term, increasing ROE and fulfilling our responsibility to shareholders and investors—this is Capcom's management approach.

Matsuo External directors were also of the opinion that improving performance and raising the share price were the best defense measures, but management is already cognizant of this as a major premise. In addition, we stressed that since the value of our IPs are not accounted for on the balance sheet,

they are thus not reflected in the economic valuation of the company.

Tsujimoto Throughout more than 30 years of history, Capcom has generated a copious amount of brands via our content, which are recognized the world over. Any attempt to take those brands, with no development policies in place, and simply try to make money off of them, will result in damaging the brands' value. This must be prevented for the sake of shareholders' interests as well. In addition to clearly conveying this idea, we revised the content based on a wide solicitation of shareholder opinions, resulting in a 75% approval and passage at this year's shareholders' meeting for the takeover defense measures that had been rejected just last year.

Matsuo This is surely the result of the increased efforts to engage shareholders in dialogue. However, the takeover defense measures are a double-edged sword, as we cannot forget that not all shareholders gave their approval.

Tsujimoto I got that feeling during conversations with shareholders, and I always keep minority shareholder opinions in mind. Also, behind the success of these dialogues over the past year, external director calls for explaining whether or not there are actual takeover threats, as well

Kenzo Tsujimoto

Chairman and Chief Executive Officer (CEO), Capcom Co., Ltd.





as the necessity for introducing these measures and the rationale involved, have been huge. Given that measures were rejected last fiscal year, they suggested we provide shareholders with more thorough explanations.

Matsuo In order for us external directors to understand that these measures are not to protect management, but rather are a necessary aspect of the growth strategy, we frequently demanded more explanations, repeatedly posing the question, “Is that explanation good enough to satisfy our investors?” Hearing the opinions of all external directors and engaging in thorough discussions during Board of Directors meetings was extremely worthwhile from a governance standpoint. At the same time, the confidence in these measures means increased shareholder demands for the promotion of growth strategies and the achievement of medium-term business goals (cumulative operating income and ROE). As representatives of shareholders and other stakeholders, we external directors will continue to monitor your progress toward these goals.

Tsujimoto Exactly. We have stressed the need for this measure to achieve sustainable growth and increase corporate value over the medium- to long-term, and we are thus prepared to accelerate our growth strategy and achieve our goals. We are creating opportunities to explain progress toward the medium-term business goals within and outside the company on a regular basis. One of our new initiatives with respect to the Governance Code are small meetings for institutional investors led by External Director Takayuki Morinaga.

Matsuo It is extremely rare for an external director to engage in dialogue with investors. I am sure it was a good opportunity for investors to confirm that external directors are actually fulfilling their management supervisory roles. On the other hand, since this was the first time this initiative was conducted, we received feedback indicating

there is room for further improvement in terms of responses to questions and management itself. We external directors will redouble our efforts during Board of Directors meetings so we are able to respond more satisfactorily to shareholder and investor inquiries.

Capcom’s Goal of Proactive Governance and the Role Demanded of External Directors

Matsuo External directors consist of former corporate managers and legal specialists from various areas. On the other hand, we do not have backgrounds in the content industry nor are we deeply familiar with it, so what role do you expect external directors to play?

Tsujimoto Companies must always hone their unique corporate characteristics to beat the competition. However, if that is all they pursue, there is a possibility they will become overly specialized, and lose sight of social common sense. At Board of Directors meetings, internal directors tend to lead discussions, but I want external directors to validate judgments from an outside perspective and, if necessary, state their objections. External directors are appointed with consideration for their specialization and their command of the highest level of insight in their respective areas and their ability to make objective decisions with regard to Capcom’s management and business activities. I think there is tremendous value in looking at management from the perspective of the general public, including that of shareholders and other stakeholders. I expect external directors to determine whether management is adequate from the perspective of the general public and bring risks to our attention.

Matsuo From my experience not only as an attorney, but also as an external director for other companies who has monitored the management of various corporations, I think successful companies can get trapped by fixating on their successful experiences. For this reason, I will continue to ask, “Is this really alright?” That being said, highly transparent documentation and explanations are also indispensable for objective judgment.

Tsujimoto To visualize actual business conditions, the material distributed at Board of Directors meetings is mainly quantitative data from management meetings. Of course, we explain the issues pertaining to each item for discussion, but since it is difficult to make correct judgments without knowing the background of decisions made in executive divisions, we think it necessary to provide all background quantitative data.

Matsuo Certainly, attaching all related background data aids understanding and prevents fudging the numbers. To conclude, Capcom has already announced its growth strategy and is engaged in enhancing corporate value, but promoting the growth strategy also invites the potential for a variety of risks. What steps is management taking to mitigate risk?

Tsujimoto From the perspective of earnings fluctuation risk, we are constructing a business portfolio with the Single Content Multiple Usage strategy to distribute risk. However, management decision risk is most important, so a mechanism preventing incorrect judgment is essential. To this end, we are taking steps to visualize management quantitatively, identify problems as quickly as possible and address them. I have heard that visualization is also useful for management supervision and monitoring by external directors and external auditors. We also established an Audit Committee consisting of members with backgrounds in accounting and development who monitor operations in conjunction with two veteran external auditors familiar with a wide range of operations. Additionally, this year, we will increase the ratio of external directors on the Board of Directors to 43%, the highest level ever, as part of our efforts to establish more proactive governance. I look forward to your continued cooperation.

Makoto Matsuo

External Director, Capcom Co., Ltd.



Tamio Oda

Director
Executive Vice President and
Chief Financial Officer (CFO)
Capcom Co., Ltd.

Takayuki
Morinaga

External Director
Capcom Co., Ltd.

Held June 2015 Small Meeting with Investors

Dialogue Between an External Director and Institutional Investors

In conjunction with the launch of the Tokyo Stock Exchange Corporate Governance Code, the role of external directors is more important than ever.

In response to questions including “Are external directors really expressing brutally honest opinions at Board of Director meetings?” and “What exactly does the function of an external director entail?” Capcom held its first-ever small meeting with institutional investors, who met with External Director Takayuki Morinaga. The following page provides excerpts from this dialogue.

Takayuki Morinaga, External Director

My role as external director is to enhance corporate value, which consists of two aspects: economic value and social value.

While I think it is of course important to pursue profits and enhance economic value, it is also important to provide social value required by the public. Without that, it will be difficult to maintain economic value.

Social value involves a variety of aspects. In the context of games, it is not absurd to suppose that by playing games more you could make yourself smarter, improve your character or keep your mind sharp, and if this were the case, it significantly increases our social value, which would then tie into an increase in our economic value.

We at Capcom also wish to focus on social value along with economic value as we move forward.

I admire both the number and diversity of external directors (including corporate auditors) present at Capcom Board of Directors meetings. As the founder is running the company, I was concerned that his views would go unchallenged; however this was absolutely not the case at Capcom. Board of Directors meeting discussions are lively, and thanks to the visualization of management via quantitative data, materials provided to the Board have been put together in a highly intelligible manner.

We engaged in a diverse range of discussions at Board of Directors meetings regarding this year’s resubmission of the takeover defense measures. Based on my corporate management experience up to now, there are two types of takeovers: one that benefits the shareholders, and one that does not. In the case of the latter, corporate value is destroyed, resulting in potential losses for shareholders. Personally, I think the above measures are necessary to eliminate these potential

losses. By leaving the final decision to the judgment of the shareholders at the general shareholders’ meeting, I feel the interests of shareholders have been secured.

Q&A Summary

Q Currently, it is set up so that should Capcom move to invoke the takeover defense measures, an emergency shareholders’ meeting will be held; however, is it not the case that this ensures neither the validity nor the transparency of said takeover defense? Supposing 75% agree to implement the measures, but 25% oppose them; is it not true that the interests of the 25% minority of shareholders are being damaged?

A Actually, we will disclose a variety of information before we actually put the measures into practice, which will provide those shareholders who are in opposition with enough time to sell their shares if they so choose.

At the same time, asking for approval to invoke takeover defense measures at the emergency general shareholders’ meeting is a last resort and not the meeting’s main purpose. The source of Capcom’s content development is its people, thus development expenses consist in large part of labor costs. In this context, the purpose was to create a place and time to discuss development policies with buyers so as to avoid distressing our developers, who are the backbone of the company.

Furthermore, with respect to the establishment of an independent committee in the event takeover defense measures were to be actuated, investors told us that “independent committees are meaningless; all decisions should be made at Board of Directors meetings”. However,



Materials used during the small meeting

as Capcom is a company with a board of corporate auditors, we think an independent committee would be effective in terms of reflecting the opinions of corporate auditors in the discussion. We were also criticized regarding whether people external to the company are of any use in an emergency situation. We accept this criticism and are in the process of making improvements.

Q External director neutrality is critical, but if one serves on the board long term, doesn't one tend to take the company's position? What does Capcom do to prevent this situation?

A An outside perspective is critical, but it is also important to build a certain degree of relationships within the company as well.

Without prerequisite knowledge and information, one cannot provide appropriate advice, nor can they be very convincing. In my (Morinaga) case, I want to maintain a balance in light of my experience.

External directors and corporate auditors are appointed from a diverse range of backgrounds, so there is no issue in terms of transparency. In fact, at Board of Director meetings, we make extremely critical observations, so there is no concern regarding our neutrality.

Please refer to "Principal Discussions at Board of Directors Meetings held in Fiscal 2014" on page 57.

Q On what basis are external directors appointed? Shouldn't people with a more detailed knowledge of the contents industry be appointed? From the outside, it seems like external directors are appointed based on their friendship with management. What do you think about standards for replacing external directors?

A At present, Capcom has not made the standards by which external directors are appointed explicit to the public. That being said, in as much as possible we select individuals from as wide a range of areas, bearing in mind we want people who are specialists with the highest level of insight in their field, who are able to deliver objective decisions regarding Capcom management and business activities. It is not at all the case that friendship is the reason individuals are appointed. To dismiss such concerns, I would like to further improve the basis for appointments going forward.

Q What do you think about risks and issues pertaining to owner-run companies?

A I think there are many positive aspects of owner-run companies. An owner should never become an autocrat, and decisions should be made by the Board of Directors, not only by the owner. If a governance structure is in place, the speed of the owner's independent decision-making capabilities, their consciousness, and their reform capabilities are effective in propelling corporate growth. In companies where visualization of quantitative data is advanced such as Capcom, maintaining checks and balances from outside the company is more than possible.

Q In the event the owner is taking the company in the wrong direction, are external directors able to call the appropriateness of it into question as a third party?

A For external directors, Chairman Tsujimoto is not an absolute presence; we external directors provide our opinions at Board of Directors meetings without reserve until we are satisfied.

Furthermore, the Chairman listens thoughtfully to our opinions. Considering Capcom introduced the external director system in 2001, Chairman Tsujimoto has been proactively listening to differing opinions for quite some time now.

Q When discussing governance, the focus is usually on governance demanded by investors and governance that facilitates corporate management. It is ideal when both these approaches are in congruence, but the most important thing is enhancing the quality of corporate management. The more skillful a manager is, the stronger his power, which in turn makes it easier for him to become an autocrat. To avoid this risk, I hope you engage in vigorous debates to ensure corporate management does not wander off course.

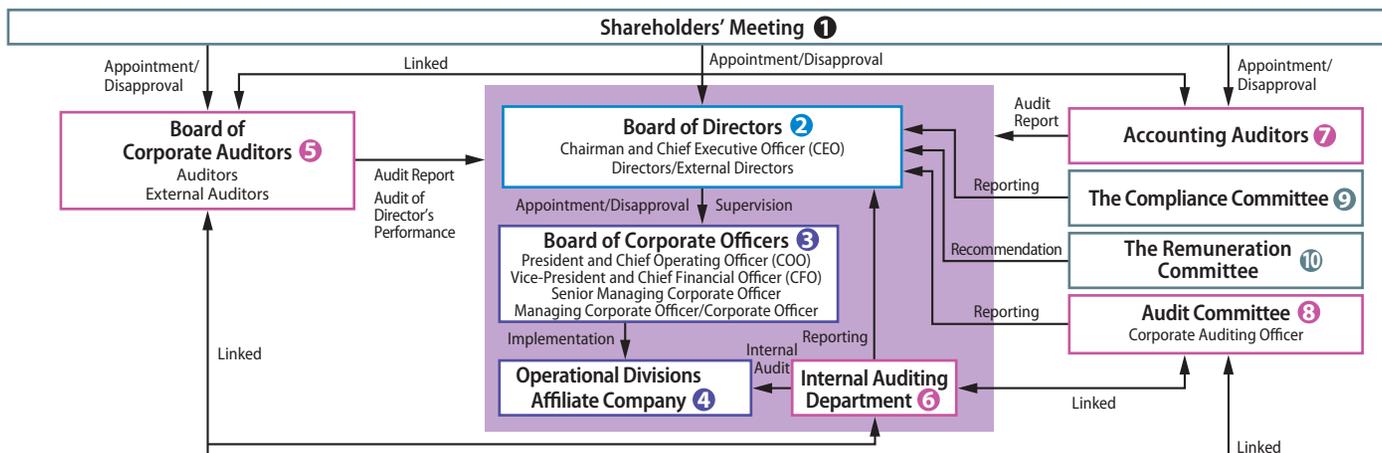
A Understood. This is the first opportunity I have had to engage in dialogue like this, and there are probably a few areas where my answers weren't as detailed as they could have been, but I will continue to monitor and support management in light of the opinions you shared today. I hope we have a chance to meet and engage in dialogue again next time.

Investors in Attendance

Ichiro Yamaguchi (Daiwa Asset Management Co. Ltd.)/Yasushi Arakawa (DIAM Co., Ltd.)/Daisuke Oshidari (JPMorgan Asset Management (Japan) Ltd.)/Masayuki Yonezawa (Mitsubishi UFJ Kokusai Asset Management Co., Ltd.)/Kenji Kido (Mizuho Trust & Banking Co., Ltd.)/Jiro Nakano (Nikko Asset Management Co., Ltd.)/Naoki Iwata (Nomura Asset Management Co., Ltd.)/Akira Namegawa (Schroder Investment Management (Japan) Limited)/Akio Otani (Tokio Marine Asset Management Co., Ltd.)

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, facilitating 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 Convened on June 12, 2015

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.

Three resolutions were brought up for discussion at this year’s shareholders’ meeting, all of which were approved and passed.

Please refer to “Shareholders’ Meeting Resolutions” on page 56.

2 Board of Directors Convened 16 Times in year ended March 31, 2015

Supervision

Management Decisions that Incorporate Outside Opinions

The Board of Directors consists of 7 members, meets regularly once a month and holds extraordinary meetings when necessary. Three of the 7 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, three external directors were appointed as independent directors to avoid any conflict of interest among general shareholders in terms of decision-making. From fiscal 2013, one additional independent director was appointed.

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

For more on external directors, please refer to “External Directors and Auditors” on page 55.

Officer Remuneration (Year ended March 31, 2015)

Category	Paid Personnel	Total Remuneration
Directors (External directors)	10 (3)	¥485 million (¥32 million)
Corporate auditors (External auditors)	4 (2)	¥52 million (¥24 million)
Total	14 (5)	¥537 million (¥56 million)

Notes:

- The above includes director’s bonuses of 62 million yen (external directors excluded) for business activities in the fiscal year.
- At the 32nd General Shareholder’s Meeting held on June 17, 2011, a resolution was passed limiting director’s remuneration to no more than 650 million yen (or no more than 50 million yen for external directors) per year. For corporate auditors, a resolution was passed limiting remuneration to no more than 85 million yen per year at the 33rd General Shareholder’s Meeting held on June 15, 2012.

3 Board of Corporate Officers Convened 12 Times in year ended March 31, 2015 **Implementation**

Executing Operations Based on a Clear Management Policy

The Board of Corporate Officers is composed of 19 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, taking agile and appropriate response to rapid changes in the management environment when deemed necessary.

4 Affiliate Companies **Implementation**

Ensuring Effective Government through Close, Group-wide Collaboration

We have developed a group-wide internal controls 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.

5 Board of Corporate Auditors Convened 12 Times in year ended March 31, 2015 **Audit**

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, Internal Auditing Department and auditors mutually coordinate to exchange views and information when necessary.

 For more on external auditors, please refer to "External Directors and Auditors" on page 55.

6 Internal Auditing Department **Audit**

Ensuring and Verifying Legal Compliance and Operating Efficiencies

As an internal auditing function established to be independent from business execution, the Internal Auditing Department conducts internal audits on all divisions of Capcom, working with corporate auditors to verify and ensure the legal compliance and efficiency of the company's operations. The audit office strives to ensure internal controls work effectively in each division by recommending improvements to audited divisions based on their findings.

7 Accounting Auditors **Audit**

Ensuring and Verifying Accounting Transparency

Capcom has engaged KPMG AZSA LLC for financial audits as prescribed by the Companies Act and financial audits as prescribed by the Financial Instruments and Exchange Law. There is no relationship involving financial

or other interests between Capcom and this audit corporation or the engagement partners at this firm who perform audits at Capcom.

Auditor Remuneration (Year ended March 31, 2015)

	Audit Operations	Non-Audit Operations
Delivery company	¥41 million	0
Consolidated subsidiary	¥2 million	—
Total	¥43 million	0

Auditing Company	Names of Certified Public Accountants	
KPMG AZSA LLC	Designated and Engagement Partner	Masaaki Doi
		Hiroshi Miura
		Takuya Obata

Note: Assistants to certified audit operations
 Certified public accountants: 10; Others: 11 (those who have passed the certified public accountant exam and persons in charge of system audits)

8 Audit Committee Convened 41 Times in year ended March 31, 2015 **Audit**

Auditing Operations from a Risk Management Perspective

The Audit Committee conducts audits from a different perspective than the auditors and the Internal Auditing Division. 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. 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.

9 The Compliance Committee Convened Four Times in year ended March 31, 2015

Focusing on Compliance as an Important Management Issue

The Compliance Committee, including external directors licensed to practice law as members, meets quarterly to address various risks facing the company. The Compliance Committee receives results and internal reports on "periodic compliance checks" that investigate the business operations of each division semiannually and on the nature of inquiries made at the "Compliance Hotline", which serves as a whistle-blowing system for the company, issuing reminders and recommendations as well as providing advice as necessary.

10 The Remuneration Committee Convened Two Times in the fiscal year ended March 31, 2015

Recommending 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.

Corporate Governance Structure and Initiatives

External Directors and Auditors

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 Directors meetings in an effort to strengthen the**

management audit function.

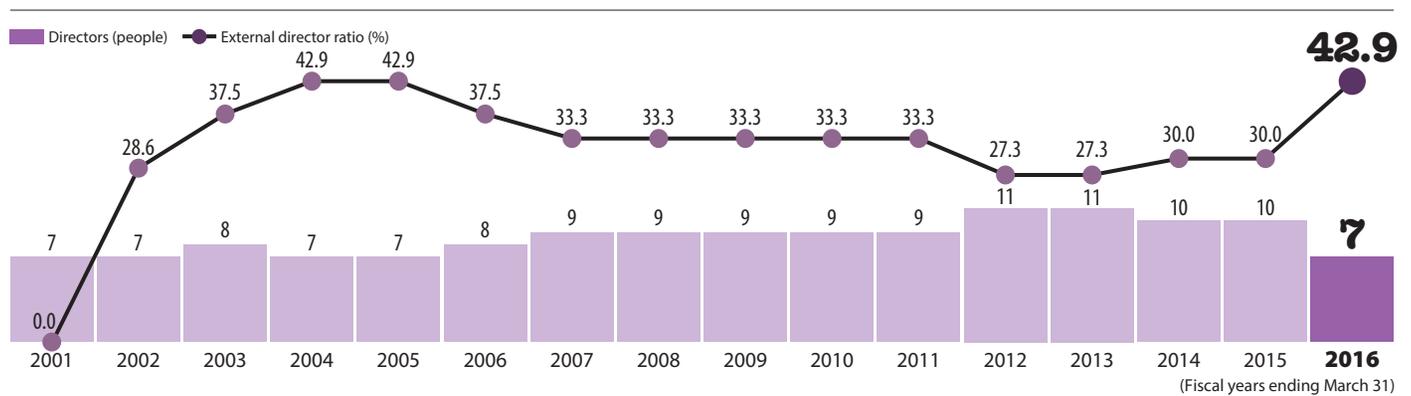
External auditors participate in Board of Directors and other important meetings, evaluating the directors' execution of their duties with an opinion of objectivity and fairness from the perspective of compliance and appropriateness.

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

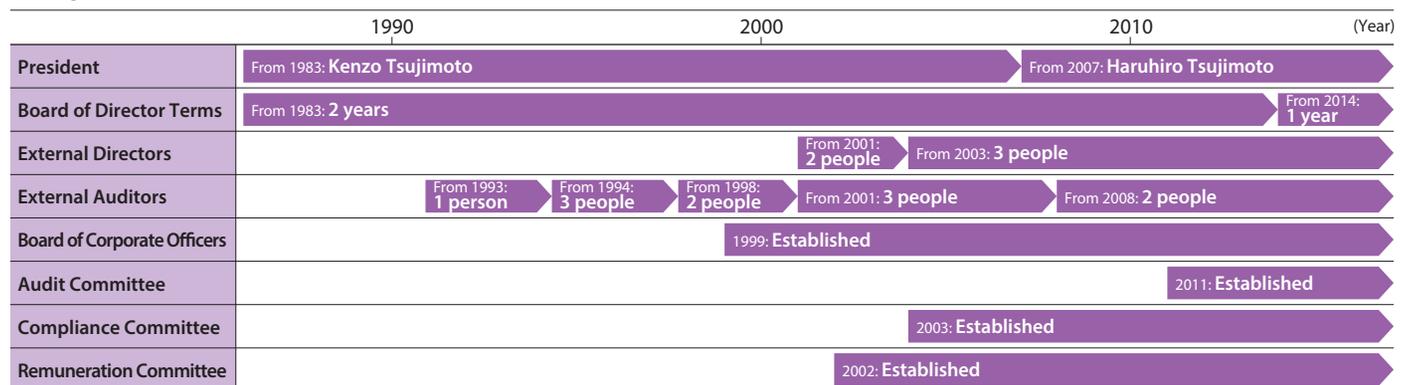
Board of Directors/Board of Corporate Auditors Rate of Attendance (Year ended March 2015)

	Name	Independent director	Reasons for selection	Board of Directors/Board of Corporate Auditors Rate of Attendance (Year ended March 2015)
External Directors	Hiroshi Yasuda	○	Appointed with overall consideration for character, business acumen and successive appointments to important posts	Board of Directors Attended 16 of 16 meetings (100%)
	Makoto Matsuo	○	A legal professional able to provide precise guidance and advice and ensure the effectiveness of corporate governance	Board of Directors Attended 14 of 16 meetings (87.5%)
	Takayuki Morinaga	○	Appointed with overall consideration for management experience at other companies, professional career, track record, and personal connections in the business world	Board of Directors Attended 16 of 16 meetings (100%)
External Auditors	Yoshihiko Iwasaki	○	It was determined that his professional experience in tax administration would be of benefit to the company	Board of Directors Attended 16 of 16 meetings (100%) Board of Corporate Auditors Attended 16 of 16 meetings (100%)
	Akihiko Matsuzaki	○	Appointed to leverage the wealth of experience and knowledge accumulated during many years in law enforcement administration to help the company further enhance its corporate governance	Board of Directors Attended 16 of 16 meetings (100%) Board of Corporate Auditors Attended 16 of 16 meetings (100%)

Ratio of Internal Directors to External Directors



Corporate Governance Initiatives



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 39th among 3,422 listed companies in Japan in the “NEEDS-Cges” assessment developed by Nikkei Digital Media, Inc.

“NEEDS-Cges” has an established reputation as a system that quantitatively assesses corporate governance using scores on a scale of 1 to 10 for eight categories, including “capital efficiency”, “information disclosure”, and “shareholder and capital composition”, among others, assigned based on some 130 indicators calculated from data of publicly released company documents, such as financial reports.

Capcom’s total score was 8.75 points, placing us in the top 1.2% of Japan’s listed companies. Our score also exceeded the average for all

listed companies and for the industry, at 5.43 points and 7.60 points, respectively. Compared to last fiscal year, our score increased by 0.46 points. This was mainly because of an increase from 5 to 9 points in our “Board of Directors (organization)” rating due to improved ratio of external directors and reduced number of internal directors. We continued to receive the full 10 points for “shareholder and capital composition” and “information disclosure” important for corporate governance.

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.

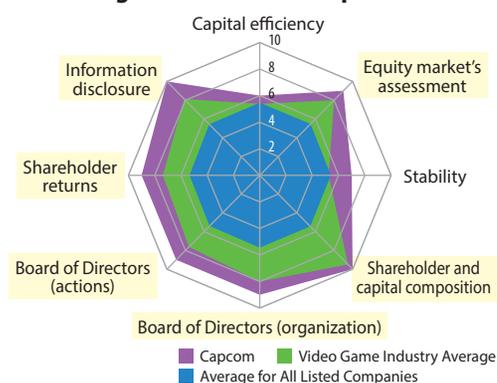
Going forward, we continue making improvements based on consideration of external data to earn an even stronger assessment, and further promote the external visibility of our governance by posting this and other data on our corporate website.

Third-Party Assessment Results of Capcom’s Corporate Governance

Details of Capcom’s Corporate Governance Assessment

Total Score	8.75
Rank	39
Categories	Score
Capital efficiency	6
Equity market’s assessment	9
Stability	7
Shareholder and capital composition	10
Board of Directors (organization)	9
Board of Directors (actions)	9
Shareholder returns	9
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
Equity market’s assessment	9	Tobin’s Q-related values PBR-related values
Shareholder and capital composition	10	Ratio of institutional investor shareholdings Ratio of foreign investor shareholdings Cross-shareholding ratio
Board of Directors (organization)	9	Board of Director members Managing Corporate Officers External director ratio
Board of Directors (actions)	9	Amount of director treasury stock holdings Amount of president’s treasury stock holding
Shareholder returns	9	Shareholder return ratio Dividend payout ratio (non-consolidated)
Information disclosure	10	Changes in accounting policy Date of general shareholders’ meeting 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 year ended March 31, 2015, 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	488,992	237	1,184	99.54	Approved
Second proposal: Appointment of 7 Directors					
Kenzo Tsujimoto	485,411	3,820	1,184	98.81	Approved
Haruhiro Tsujimoto	482,577	6,654	1,184	98.23	Approved
Tamio Oda	469,558	19,672	1,184	95.58	Approved
Yoichi Egawa	469,560	19,670	1,184	95.58	Approved
Hiroshi Yasuda	485,744	3,487	1,184	98.88	Approved
Makoto Matsuo	451,507	37,723	1,184	91.91	Approved
Takayuki Morinaga	488,600	631	1,184	99.46	Approved
Third proposal: Introduction of Countermeasures in Response to a Large-Scale Purchase of Shares of the Company (Takeover Defense)	367,305	121,925	1,184	74.77	Approved

Notes: Conditions for each proposal to be passed

(1) A majority of shareholders in attendance approved the first and third proposals.

(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 prior to the meeting + certain shareholders in attendance on the day of the meeting) ÷ number of votes (votes exercised prior to the meeting + shareholders in attendance on the day of the meeting)

(4) 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 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.

Principal Discussions at Board of Directors Meetings Held in Fiscal 2014

At Capcom Board of Directors Meetings, three external directors take the lead in offering aggressive opinions and advice to ensure management transparency and corporate health. We strive to ensure corporate governance is functioning properly through lively and detailed discussions regarding appropriate disclosure and accountability to shareholders and investors. This page provides examples of the heated discussions led by external directors.

Item 1

Measures Related to Earnings Outlook Revisions During the Fiscal Year Ending March 31, 2015

Morinaga (In response to an explanation) I want to ask about the explanatory materials announcing the downward revision to earnings. In addition to the PS business as one contributing factor, what is the reason for the launch timing change of some game titles?

Ichii Changes to the "Title A"'s development structure were a major factor. Although the development structure was changed in consideration of the 52-week map, under the current structure, it is difficult to supply personnel for the development of core title sequels. Thus, we reallocated some developers involved with "Title A" to the development of core titles. This delayed the launch window of "Title A" but along with improving the finished product's design, it enabled us to maintain the sales launch timing of core titles.

Matsuo I have a question regarding operating income being unaffected by the 19% drop in sales proceeds. Without the revision to the rules for administering Pachislo model certification methods, net sales and operating income should be increasing significantly. Does this not contradict the external explanations and announcements up to this point?

Kenzo Tsujimoto Operating income declined 1.3 billion yen due to the delayed launch of Pachislo machines in the Amusement Equipments business. At the same time, ongoing digital download sales of highly profitable catalogue titles in Europe and the United States, as well as mobile and PC Online cost of sales and SG&A expense reductions caused the Digital Contents sub-segment to increase 1.5 billion yen.

In each business profitability improvements surpassed the figures

upon which we based our outlook, and as a result of each division making modest efforts, we were able to supplement the decrease in profit from the decrease in sales.

Oda There were no problems with external announcements. Of course, this did not fall under the Tokyo Stock Exchange timely disclosure standards (30% or higher increase/decrease in net sales or 10% or higher in increase/decrease in profits). We probably should provide a slight supplement to explanatory details in the second quarter reporting, but the reason for the change was explained in detail and resolved.

Also, from the stock market's perspective, although net sales declined significantly, the company should be commended for its efforts in maintaining operating income. I imagine we might get questions like, (1) "How were you able to maintain operating income despite the 15 billion yen drop in net sales?" (2) "Can you continue the effect of (1) into fiscal 2015?" (3) "If net sales recover, profit will grow significantly, so how do plan to improve sales?"

Morinaga If we answer in that way, will the stock market understand? For example, can we explain the decline in operating income in terms of the 15 billion drop in net sales, or that business structure reform cost reductions are one factor in maintaining operating profit?

Oda Analysts are aware of each of our businesses' markets when conducting detailed analysis on Capcom, so if we explain segment conditions I do not think there will be a problem. However, assuming an explanation will be necessary, we should prepare data for each figure. Also, as we posted special losses three times since fiscal 2010, I suspect the market will want to know if we are going to post another one this fiscal year, so we need to let them know there will be no special losses this fiscal year.



Item 2

Discussion on Corporate Governance Codes

Note: This discussion includes those that took place at Board of Director meetings, as well as in individual meetings, phone conversations and other non-official locations.

Kenzo Tsujimoto I would like to have a serious discussion about the proper form for Capcom's unique governance structure in light of revisions to the Companies Act and the enforcement of the Corporate Governance Code (hereinafter the "Code") between May and June 2015. The objective is to promote an appropriate growth strategy. Additionally, promoting a growth strategy will increase management risks, so one use of governance is to provide a mechanism for risk control. There are many items worth considering, for example, a company with an audit and supervisory committee, Board of Director duties, a remuneration system, and so forth. Going forward, I want to establish regular discussions along these lines.

External director I know this discussion is forthcoming, but what is the reason for introducing a company with an audit and supervisory committee? This year, approximately 190 companies have moved in that direction, but I don't see any companies who can convincingly explain the reason for this move. Is it simply to address concerns about easily securing external directors?

Oda For example, currently a company with a corporate auditor system naturally has no voting rights at Board of Director meetings. With a corporate auditor committee, directors (corporate auditor committee members) will have voting rights, which makes it easier not only in terms of legal compliance as corporate auditor committee members, but also in terms of auditing legitimacy, which strengthens the auditing function. This is the idea I want to discuss going forward.

External auditor Regarding the remuneration system, it is true that at present, set amounts are based on monthly compensation incorporating bonuses and separate performance-based incentives. If remuneration is linked too heavily to performance, won't this impact management decision-making? What about introducing a stock-based compensation system?

Oda We'd have to start from scratch, but I'd like to discuss it in terms of the necessity of reviewing the remuneration system. Even if we were to increase the performance-based ratio and link it to medium- to long-term performance, we should consider it an incentive as the result of sustainable growth.

External auditor As an initiative ahead of the Code going into effect,

what do you think about strengthening dialogue with shareholders in terms of takeover defense measures?

Oda That was rejected last year, but we are considering it again this year. We need stable management to advance the growth strategy, so we think these measures are necessary. The specific reasons are (1) IP value is the core of Capcom's corporate value, (2) if an entity purchased the company and tampered with or changed development policies, some developers might quit, affecting future game development and (3) our IP is off-balance sheet, so any corporate valuation by a purchaser would have to be judged to determine whether or not it's appropriate. For this reason, I think we need to set aside time to discuss management and development policies.

 Please refer to "Takeover Defense Measures" on Capcom's IR website. <http://www.capcom.co.jp/ir/english/president/defence.html>

External director We've seen cases where foreign investors increased their holdings and repealed takeover defense measures, as well as examples where the measures were abandoned just before the general shareholders' meeting. However, if a company is firmly committed to its stance that this measure is necessary to execute growth strategy, they should submit the measure for approval at the general shareholders' meeting. Fulfilling management responsibilities is also the reason why the term for directors was changed to one year, a change shaped from the evolution of our stance up to this point.

External director Management is aware that the best way to prevent takeovers is to raise performance and increase the share price. At present we are working to accelerate the growth strategy, and as a company, if this requires that we have a takeover defense in place, it should absolutely be brought up at the shareholders' meeting.

External director The takeover defense measure proposal was rejected last year, and this year we are facing conditions that are even more severe. However, in the past year we have enhanced dialogue with institutional investors and announced an ROE growth target in light of investor opinions, which is a big step forward compared to last year's proposal. These measures are necessary to alleviate concerns including those pertaining to business development in the Asia region. If management is intent on respecting shareholder opinions, this issue should be brought up.

Kenzo Tsujimoto We plan to submit a report based on the Code by the end of this year. Critical items will be thoroughly discussed up until the deadline. We want to skillfully employ corporate governance to achieve ongoing, sustainable growth. To this end, I ask for your continued cooperation.



Internal Management Structure and Initiatives

Status of Internal Control System

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 Board of Directors 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, two employees are 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

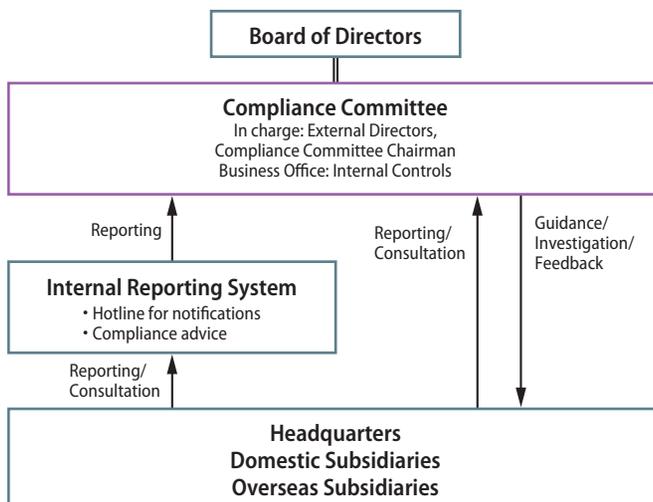
As noted on page 54, Capcom has established a Compliance Committee consisting of external directors, some of whom are lawyers, who regularly report to the Board of Directors and issue reminders and recommendations. A secretariat was established in the Internal Controls Department, which works to enhance the viability of the entire Capcom Group 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.

Compliance Structure



**■ Status of Training Programs
(Year ended March 31, 2015)**

Activity	No. of Times	Target
Compliance training curriculum	2	All employees
Personal information protection training curriculum	2	All employees

Periodic Compliance Checks

Compliance Status Checked Regularly

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

Also, 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” as a self-corrective function to uncover and prevent risks in order for the company to thoroughly practice compliance-focused management. This enables the company to smoothly address whistle-blowing reports 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.

Accordingly, to protect Capcom’s information assets from a variety of threats and maintain an information security policy appropriate for a corporation trusted by society, we publish internal information regulation collections, including “Basic Security Policies”, “System Usage Policies” and “Basic Disclosure Policies”, etc.

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. Over the past few years, we have been implementing measures to prevent information leaks, which include the (1) identification of information leak risks, (2) creation of an early response structure to

respond to information leaks and (3) establishment of a response process to minimize damage in event information is leaked.

Above all, in (1) we will reconfirm the importance of information assets held by each department with the aim of clarifying critical risks and create a manual detailing procedures related to (2), 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.

Moreover, to prevent the remote takeover of computers and other cyber-attacks that are on the rise recently, we constantly monitor for suspicious communications with external networks and implement virus detection on computers issued to employees.

In addition, regarding critical online services, we outsource the constant monitoring of security and communications to an external security specialist who also conducts regular diagnostics.

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.

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 tax risk of expanding overseas operations, Capcom consents to advance pricing agreements (APA) 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, 2015 and certain assumptions by the Capcom Group that serve as the basis of rational judgments.

1. Risks Relating to Digital Contents

(1) Increase in Development Costs

In recent years, home video games have increased in sophistication and functional diversity due to computer graphics and Internet technology initiatives, 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 smartphones 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 a narrowed distribution channel under orders from 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 three to seven 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) About the Used Software Market

Currently, used software accounts for approximately one-fourth of the domestic software market. Also, the flood of pirated copies in the Asian market is becoming increasingly serious. As a result, it is gradually becoming more difficult to recover development costs.

There is a risk that it may adversely affect our operating results, depending on the trends in the market.

(10) Internet Market Expansion, etc.

The Internet market has expanded in recent years as a result of the rapid adoption of smartphones and other mobile devices. An inability to keep up with new technologies can prevent the smooth provision of games and other digital content. Additionally, if the number of game users were to decline due to the further diversification of consumer entertainment needs, there is a risk that Capcom Group performance and financial conditions may be adversely affected.

2. Risks Relating to Other Businesses

(1) 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 rates, intensified

competition and changes in the market environment and other such factors.

(2) Amusement Equipments

In terms of Pachislo machines, there is a risk that we may only sell machines to a small number of business partners, as the performance of the Amusement Equipments segment may depend heavily on the sale of these devices, which in recent years has grown from a majority to the largest portion of sales in this segment. Also, under the provision of the “The Entertainment Establishments Control Law”, we are allowed to sell peripheral devices only for those machines that meet Security Communications Association requirements. Performance in this business segment may be significantly affected by the aforementioned systemic industry trends.

At the same time, There is a risk that business performance may be adversely affected by the narrowing gap between arcade games and home video games, a decline in facility operators’ purchasing power, changes in the business environment and uncertainties regarding growth.

As a result of the above factors, there is a risk that Capcom Group performance and financial conditions may be adversely affected.

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 overseas transactions expand, 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 games, 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 a 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 games 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 and arcade game machines involves 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.

Creating Relationships with Shareholders and Investors

Initiatives for the General Shareholders' Meeting

Making Shareholders' Meetings Lively and Facilitating the Exercise of Voting Rights

To ensure our General Shareholder's 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.

In addition, voting rights can be exercised via computer, smartphone, mobile phone and Internet. Participating in the digital exercise of voting rights platform, institutional investors are ensured a sufficient amount of time to consider proposals starting on the day the convocation notices are distributed. We also post convocation notices in English on our corporate website to promote the exercise of voting rights by shareholders in Japan and overseas.

Basic Policies Regarding IR Activities

1. Disclosure Policies

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

To this end, 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 Act and the Tokyo Stock Exchange.

It is our policy to disclose as much information as possible, including the disclosure of information not required by the Timely Disclosure Rules and other regulations, to accommodate our investors' needs.

We also disclose information through our corporate website in an attempt to provide quick and fair disclosure. Shareholders are informed of operating results and business conditions through shareholder letters.

3. Quiet Period

To prevent the unauthorized disclosure of quarterly earnings information prior to official announcements, Capcom has established a quiet period starting 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 and other regulations.

Third-Party Assessment of IR Activities

High Praise for Proactive IR Initiatives

In recognition of our ongoing pursuit of timely and appropriate information disclosure, our IR activities and various IR tools have received a number of awards from third-party organizations. In addition to receiving the Award for Excellence at the Nikkei Annual Report Awards 2014 in the fiscal year

ended March 2015, our IR website was selected by Daiwa Investor Relations for the Internet IR Grand Prize and we ranked third overall in the Fiscal 2014 Listed Company Website Quality Ranking.

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

Fiscal 2014 Third Party Evaluations

IR Activities	Institutional Investor magazine 2014 All-Japan Executive Team Best IR Companies, Software (Entertainment) category.
Annual Report	Nikkei Annual Report Awards 2014, Award for Excellence
	League of American Communications Professionals (LACP) 2013 Vision Awards Annual Report Competition, Silver Award, Technology/Software category
IR Website	Daiwa Investor Relations Co., Ltd. 2014 Internet IR Grand Prize
	Morningstar Inc./Gómez Consulting Ranked 2nd overall in Gomez IR Website Ranking 2014
	Nikko Investor Relations Co., Ltd. Ranked 3rd overall in the Fiscal 2014 Listed Company Website Quality Ranking

Making Use of Shareholder and Investor Opinions

Reflecting Results of Dialogues with Investor and Analysts in Management

Through meetings with the stock market, Capcom's IR Department attempts to promote an understanding of management policies, strategies and future outlook among investors and analysts. Furthermore, stock market opinions are gathered and provided to management, which is utilized for corporate management going forward. As a company based in Osaka, proactive IR meetings with the stock market enable us to minimize asymmetric information as we strive to achieve appropriate corporate value. This fiscal year, meetings with investors in Japan and overseas and conference calls amounted to nearly 350 points of contact with investors.

Fiscal 2014 IR Measures

By category	Frequency
Coverage requests	173
Visited domestic investors	85
Visited overseas investors	94
Total	352

In addition, we conducted various initiatives ahead of the Corporate Governance Code going into effect. Specifically, our General Affairs Section collaborated with the Investor Relations Section on takeover defense measures, arranging meeting opportunities with shareholders in Japan and overseas. In these meetings, we made an effort to promote understanding of the necessity of these measures by repeatedly emphasizing the validity of our arguments and making changes where necessary.

Next, we set up small meetings between external directors and investors to facilitate frank discussions pertaining to governance. We also arranged opportunities for senior management to exchange opinions directly with investors, who were provided with a chance to experience the latest virtual reality(VR) technologies. At our earnings presentation, we

showed videos of developer interviews related to new titles investors are focused on, as well as a variety of other new initiatives aimed at reflecting stock market opinions and demands. In addition, Capcom conducts a perception gap study every year targeting investors and analysts in Japan and overseas. Being aware of investor perception gaps with regard to management objectives, business strategy and shareholder's return enables us to fine-tune corporate management and IR activities. Questionnaires are also given to attendees at our semiannual Presentation of Financial Results and individual investor briefing sessions, which we make proactive use of as one management criterion to determine stock market opinion.

Specific examples of how this information is used include (1) medium-term business goal revisions, (2) enhanced business strategies, (3) information disclosure content and timing reviews and (4) group meetings with management.



Perception gap study feedback report



Developer interview video

IR Events

Event	Details
CEO small meeting	Speaker: Kenzo Tsujimoto, Chairman and CEO
External director small meetings	Speaker: Takayuki Morinaga, External Director
Earnings supplementary explanatory administrative officer conference call	Quantitative-related supplemental conference calls before/after earnings announcement
Latest technology experience-based event	Conducted experience-based demonstration of latest VR technologies, promoted understanding of Capcom development technologies
Showed developer interviews during earnings presentation	Used developer videos to explain development status of latest titles of high interest to the market
Conducted perception gap study	Conducted assessment survey targeting investors and analysts in Japan and overseas regarding Capcom's management targets, strategies and IR activities, provided feedback to management

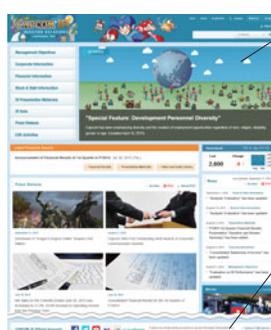
Perception Gap Study Investor Feedback (Excerpts)

- Operating income and operating margins are included in the medium-term business goals, but from the perspective of capital efficiency, ROE should also be included.
- In terms of shortening the development period for popular series titles, other than "Monster Hunter" the lineup was not mentioned, so I am uneasy about its progress. To maintain the trust of the stock market, this needs to be clarified in the upcoming fiscal year.
- Leaving 17% of treasury stock on the balance sheet long term is a problem. In principle, it should be retired, or at the very least, an explanation regarding its use should be provided.
- I want the developers to conduct an explanatory meeting. I think it would have merit for both investors and Capcom in terms of inculcating an awareness of external accountability among persons in charge in each business division.

IR Activities Making Use of Our Website

Utilizing a Website Easily Accessed by 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 emphasize the importance of information disclosure procedures within corporate governance, to ensure fairness for a wide range of stakeholders, including investors, analysts, the mass media and job-seekers, and because it easily ensures information is available for inspection immediately in Japan and over 200 countries worldwide. Capcom's corporate website is positioned as our most cost-effective tool from the perspective of printing and shipping costs.



<http://www.capcom.co.jp/ir/english/>

IR Topics

Visually announce IR activities currently in focus as main visual and respond with RSS system enabling quick confirmation of the latest information.

Capcom IR Official Social Media Accounts

Disseminating information including press releases and coverage in newspapers, television and other media through social media including Twitter and Facebook.

Capcom IR for iOS App for the iPhone (Japanese Only)

This app delivers up to date IR information, including the latest press releases and earnings information. Using the simple touchscreen interface, IR materials such as financial result summaries, presentation materials and integrated reports can viewed and saved, users can sign up to receive announcements regarding press releases and other breaking news and register for IR events. We encourage everyone to make use of this application.



IR Team

Full-Time Staff Engaged in a Wide Variety of Activities

Capcom IR activities are conducted by two 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 (Full-time/Concurrent)

Public Relations & Investor Relations Section

PHONE: +81-6-6920-3623
E-mail: ir@capcom.co.jp

Business Hours:
9:00-12:00, 13:00-17:30 (JST)
(excluding weekends and public holidays)

Directors and Corporate Auditors

Directors



Tamio Oda

Kenzo Tsujimoto

Haruhiro Tsujimoto

Yoichi Egawa

Kenzo Tsujimoto

Chairman and Chief Executive Officer (CEO)

Jul. 1985 President and Representative Director of the Company
 Apr. 2001 Chief Executive Officer (CEO) of the Company (to present)
 Jul. 2007 Chairman and Representative Director of the Company (to present)

Haruhiro Tsujimoto

President and Chief Operating Officer (COO)

Apr. 1987 Entered into the Company
 Jun. 1997 Director of the Company
 Feb. 1999 Managing Director of the Company
 Apr. 2001 Senior Managing Director of the Company
 Jul. 2004 Director and Executive Corporate Officer of the Company
 Apr. 2006 Director and Executive Vice President of the Company
 Jul. 2007 Representative Director, President and Chief Operating Officer (COO) of the Company (to present)
 Feb. 2015 Representative Director, in charge of Consumer Games Business of the Company (to present)

Tamio Oda

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

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)

Yoichi Egawa

Director and Executive Corporate Officer

Apr. 1985 Entered into the Company
 Apr. 1999 General Manager of Creative Division 5 of the Company
 Aug. 1999 Corporate Officer, General Manager of Creative Division 5 of the Company
 Apr. 2005 Corporate Officer, Head of Contents Expansion Business Division of the Company
 Apr. 2006 Corporate Officer, Head of Pachinko & Pachislo Business Division of the Company
 Apr. 2011 Managing Corporate Officer of the Company
 Apr. 2013 Executive Corporate Officer of the Company (to present)
 Jun. 2013 Director, in charge of Arcade Business and Pachinko & Pachislo Business of the Company
 Apr. 2015 Director, in charge of Amusement Equipments Business and Arcade Operation Business of the Company (to present)

External Directors



Takayuki Morinaga Hiroshi Yasuda Makoto Matsuo

Hiroshi Yasuda

Director

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

Note: 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-Wei, Gotshal & Manges in New York
Aug. 1978	Admitted to New York Bar
Mar. 1979	Partner of Momo-o, Matsuo & Namba (to present)
Apr. 1989	Lecturer of Nihon University, Faculty of Law; International Transaction Law
Apr. 1997	External Corporate Auditor of Victor Company of Japan, Limited
Jun. 1999	External Corporate Auditor of Billing System Corporation
Jun. 2000	External Corporate Auditor of Yamanouchi Pharmaceutical, Co., Ltd.
Jun. 2003	External Director of the said Company
Jun. 2004	External Director of Astellas Pharma Inc.
Apr. 2005	Lecturer of Hitotsubashi University Faculty and Graduate School of Law: World Business Law
Jun. 2007	External Director of the Company (to present)
Oct. 2008	External Director of JVC KENWOOD Holdings, Inc.
Jun. 2009	External Corporate Auditor of Toray Industries, Inc. (to present)
Mar. 2015	External Director of TonenGeneral Sekiyu K.K. (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 said Bank
Apr. 1996	Senior General Manager of the said Bank
Sep. 1998	Managing Director of Yazaki Corporation
Sep. 2000	Senior Managing Director of the said Company
Jun. 2006	Vice Chairman of the said Company
Jun. 2007	Director and Executive Councilor of the said Company
Jun. 2008	Advisor of the said Company
Jun. 2009	External Director of the Company (to present)

Corporate Auditors



Akihiko Matsuzaki Yoshihiko Iwasaki Kazushi Hirao Masanao Ichika

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
Jul. 1999	Deputy Commissioner (Large Enterprise Examination and Criminal Investigation) of Hiroshima Regional Taxation Bureau
Jul. 2003	Director of Commissioner's Secretariat, the National Tax Agency
Jul. 2007	Assistant Regional Commissioner (Management and Co-ordination) of Nagoya Regional Taxation Bureau
Jul. 2008	Executive Director of National Tax College
Jul. 2009	Director-General of Kanazawa Regional Tax Tribunal
Jul. 2010	Director-General of Sapporo Regional Tax Tribunal
Jul. 2011	Vice President of National Tax College
Jun. 2012	External Corporate Auditor of the Company (full-time)(to present)

Note: Messrs. Yoshihiko Iwasaki and Akihiko Matsuzaki are External Corporate Auditors.

Masanao Ichika

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	External 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 Kiou Kyosai Co., Ltd.
Jul. 2009	Auditor of Japan Police Cooperative (Part-time) (to present)
Jun. 2012	External Corporate Auditor of the Company (to present)