



Environmental Social Governance

# ESG

## Information

	Key Internal Regulations	Achievements	Future challenges
<b>Environmental</b> → Please refer to page 55	<ul style="list-style-type: none"> <li>Follow relevant laws and ordinances concerning the environment when engaging in all corporate activities, including the development, manufacturing, sale, distribution, and disposal of products and services.</li> </ul>	<ul style="list-style-type: none"> <li>The construction of new environmentally-friendly buildings</li> <li>The reduction of resources used and exhaust gas via distribution network sharing with other companies in the industry</li> <li>The reduction of paper resources used through the digitization of instruction manuals</li> </ul>	<ul style="list-style-type: none"> <li>Increasing energy conservation at existing buildings through renovation</li> <li>Increasing energy conservation of operations as amusement facilities</li> </ul>
<b>Social</b> → Please refer to pages 56-60	<ul style="list-style-type: none"> <li>Respect the human rights of each and every employee and do not engage in discrimination or any behavior linked to discrimination.</li> <li>Value the individuality of each person from the standpoint of respect for people and aim for the creation of a company which is fair, cheerful, and easy to work in.</li> <li>Understand and comply with the content and goals of labor laws and other relevant laws and ordinances together with striving to maintain a safe and hygienic work environment.</li> <li>In accordance with relevant laws and ordinances, disclose accurately and in a timely manner management and corporate information such as the state of Capcom's financial affairs and business activities to shareholders and investors.</li> <li>Always strive to improve customer satisfaction, observe laws and ordinances concerning safety, and give sufficient consideration to the safety and quality of the products Capcom provides.</li> <li>As a good corporate citizen of the regional community, proactively conduct social contribution activities, cultural support activities, and activities which support sports and health.</li> </ul>	<ul style="list-style-type: none"> <li>The active employment of non-Japanese citizens</li> <li>Increased number of women in management positions</li> <li>The implementation of staff training</li> <li>Education for employees concerning compliance</li> <li>The holding of Health and Safety Committee meetings</li> <li>Increased dialogue with shareholders</li> <li>Compliance with the CERO ratings system</li> <li>The endorsement of the "Administrative Guidelines for Random Item Provision Systems in Smartphone Games"</li> <li>Regional revitalization activities making use of Capcom content</li> <li>Support for senior citizen community formation such as video game arcade tours</li> </ul>	<ul style="list-style-type: none"> <li>Increasing the percentage of women in management positions</li> <li>Creating an even easier environment to work in such as with the establishment of daycare centers</li> <li>The operation of amusement facilities aimed at all ages</li> <li>Increasing the number of opportunities for persons in charge of development to converse with the market</li> </ul>
<b>Governance</b> → Please refer to pages 61-76	<ul style="list-style-type: none"> <li>Always pay attention to information such as the establishment and revision of laws and ordinances, consider the content of the same and their influence on corporate conduct, and take measures to ensure rapid and accurate response, including with regards to changes to internal regulations.</li> </ul>	<ul style="list-style-type: none"> <li>Transitioning towards a company with an audit and supervisory committee</li> <li>Raising the ratio of external directors</li> <li>The establishment of a nominating committee (voluntary)</li> </ul>	<ul style="list-style-type: none"> <li>The effective operation of the audit and supervisory committee company system</li> <li>Analysis and evaluation of the overall effectiveness of the board of directors meetings</li> <li>The establishment of a meeting for the purpose of information exchange between independent external directors</li> <li>The setting of director remuneration with regards to medium- to long-term growth.</li> <li>The formulation of corporate governance guidelines</li> </ul>

# Environmental

### New Building Innovations

#### 10% Reduction in CO<sub>2</sub> Emissions Throughout Our New Buildings

The new R&D Building #2 and Capcom Technical Center utilize the energy-conserving equipment indicated below. As a result, we expect to reduce CO<sub>2</sub> emissions by approximately 10%\*overall.

#### Energy-Conserving Effects of R&D Building #2 and Technical Center Equipment\*

1. Exterior thermal insulation	5% reduction
2. LED lighting	40% reduction
3. Motion/daylight sensors (Only motion sensors installed in R&D Building #2)	20% reduction
4. Air conditioning/heating monitors	30% reduction
5. Displacement air conditioning system (Motion capture studio)	40% reduction

\* Assumes energy consumption of 100% without introduction of this equipment.

### Innovations in Product Distribution

#### Sharing Distribution Networks with Other Companies in the Industry

Sharing distribution networks with other companies in the same industry when shipping products enables the efficient supply of products. As a result, we are able to realize reductions in packing materials, fuel and emissions.

#### Paperless Instruction Manuals

Older game consoles included a printed instruction manual inside the package, but with current game consoles, manuals are now included as data within the software as a way to save paper. This enables us to eliminate approximately 15 million game units' worth of paper manuals shipped annually.

# Social

## Responsibilities to Customers

### For the Healthy Development of Young People

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

The NPO Computer Entertainment Rating Organization (CERO) was created to provide age-appropriate ratings for video games. Capcom complies with the CERO rating system and rules.

The 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. Age ratings on game packaging provides purchasers with information pertaining to the age appropriateness of game content, classified into one of five categories in Japan: All ages (category A), 12 years or older (category B), 15 years or older (category C), 17 years or older (category D) and restricted to 18 years or older (category Z). CERO members voluntarily prohibit sales of category Z games to users under 18 years old, with 99.6% of retailers separating game displays by ratings category and checking purchaser identification to confirm age.\*

In addition, the latest home video game consoles include a

parental control function that enables parents to limit the online purchase and use of certain games according to their ratings.

Further, in regards to problems concerning paying for items in social games, an issue which has gained attention in recent years, Capcom endorsed the "Administrative Guidelines for Random Item Provision Systems in Smartphone Games" released by the Computer Entertainment Suppliers' Association (CESA) in 2016. As such, in regards to paid random item provision systems (paid gacha) widely used in the field of games provided over the internet via smartphone, Capcom has made the decision to provide environments which can be easily understood by users, such as generally displaying all items which can be acquired and their rates of appearance.

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



Capcom Group Code of Conduct Handbook

## Responsibilities to Business Partners

### Basic Policies Regarding Business Transactions

#### Promotion of Fair Business Transactions Based on Each Regulation

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

## Responsibilities to Employees

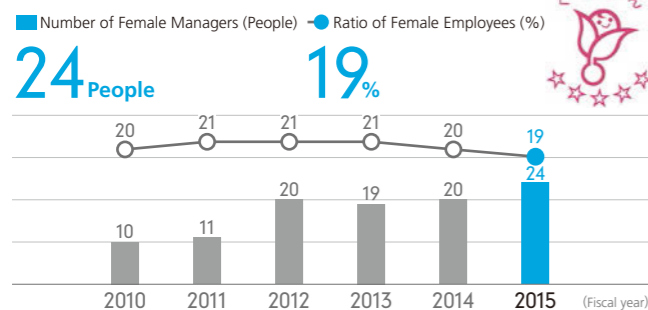
### Promotion of Diversity

#### Initiatives Aimed at Improving the Work Environment for Women, Promoting Gender Equality and Proactively Hiring Foreigners

Capcom is currently engaged in initiatives aimed at improving the work environment for women, promoting gender equality and proactively hiring foreigners.

In terms of improving the work environment for women, we introduced systems enabling women to take a leave of absence before and after giving birth, childcare leave and shortened working hours, and promote their use throughout the company. In fiscal 2015, 24 employees utilized the childcare leave system. The utilization rate among women was 100% (in fiscal 2014, 21 employees utilized this system, of which five were men and the utilization rate among women was 100%). The return rate after childcare leave was also high. In fiscal 2015, 17 employees returned

#### Ratio of Female Employees and Number of Female Managers



to the workplace. Excluding those still on leave, 94.4% returned (in fiscal 2014, 17 employees returned, a return rate of 94.4%). As a result, in the Japanese game industry, known for being a male-dominated industry, nearly 16% of Capcom's developers are women, and we have 24 female managers (representing 10.3% of managers overall). Further, Capcom has drawn up a "General Employer Action Plan" based on the "Act for the Promotion of Women's Success" which aims for 1) women comprising no less than 20% of regular employees and 2) women in no less than 15% of management positions within a five year period by the end of fiscal 2021. To further increase the proactive involvement of women, we are hastening the establishment of a daycare facility in fiscal 2016. In recognition of Capcom's efforts toward improving the workplace environment for women, since 2012 we have earned the "Kurumin" mark, the symbol of a "company supporting childcare," from the Ministry of Health, Labor and Welfare.

In terms of the proactive employment of non-Japanese citizens, Capcom is making efforts to strengthen overseas expansion capabilities including creating an English hiring website. We currently employ 91 foreigners (representing 4.0% of our employees). Going forward, we will create a system for improving motivation in an attempt to increase the ratio of foreign employees, including the support for career advancement and the promotion of non-Japanese citizens to management positions.

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

#### Company-wide Training and Level-based Training

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

#### Major Training Programs

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

### Corporate Governance and CSR

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

The Capcom Code of Conduct calls for "free competition and fair trade," "respect for human rights and individuality and the prohibition of discrimination" and "environmental conservation and protection." To ensure a concrete understanding of these concepts, we created the Capcom Group Code of Conduct Handbook, which is distributed to all employees and contains illustrated case studies presented in an easily understandable Q&A format.

We also make use of the company intranet to provide e-learning sessions on legal compliance and disseminate personal information protection rules to all employees.



(Left) Kofu BASARA Shingen-kun (Right) Commercials for Kochi prefectural governor's election



An on-site class

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

### Occupational Health and Safety

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

Monthly Health and Safety Committee meetings include the attendance of an employee representative, an observer and a company representative.

At these meetings, the results of hours worked are analyzed in terms of overtime and workload appropriateness, causal factors and improvement policies are discussed and occupational injuries and workplace environment conditions are reported to the committee to promote the creation of a comfortable working environment. Attention is also focused on prevalent illnesses and ailments common among game creators, with public health and industrial doctors regularly invited to perform physical exams and reexaminations to ascertain employee health conditions.

These activities have resulted in a steady increase in the number of employees submitting medical certificates for physical examinations and reexaminations each year.

## Responsibilities to the General Public

### Contributions to Regional Revitalization

#### Support Activities Using Popular Games to Attract Customers and Raise Awareness

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

In 2015, Capcom supported historical and cultural education. Capcom concluded the Comprehensive Agreement to Promote Vitalization of Local Economy with the city of Kofu in Yamanashi Prefecture and implemented a variety of plans whose goal is to support the promotion of industry in the city as part of regional revitalization efforts until 2019, including providing the city with characters for premium gift certificates and the design for a character called "Kofu BASARA Shingen-kun" who will be the honorary head of a group for promoting Kofu tourism PR. (For details concerning the Comprehensive Agreement to Promote Vitalization of Local Economy, please see the separate booklet, *The Latest Development Report*.) Capcom also jointly sponsored a

special exhibition of arms and armor connected to famous military commanders appearing in Sengoku BASARA at the Saitama Prefectural Museum of History and Folklore. In addition, Capcom collaborated in activities to spread awareness of the Kochi prefectural governor's election announced in November by offering Chosokabe Motochika, who appears in Sengoku BASARA, as a character for education on the election.

### Educational Assistance as a Game Company

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

Video games are a comparatively new cultural phenomenon about which there is little academic research. Rather than examining the educational aspects, discussions tend to focus on the detrimental effects of violent content. For example, some local municipalities have designated certain games to be harmful to the healthy development of young people. At the same time, the idea of a future career as a video game creator is very popular among children, and some schools have even begun to incorporate handheld video game consoles into the classroom in recent years.

As part of its social responsibility (CSR) efforts as a video game software producer and based around a desire to promote understanding in society of video games, Capcom accepts student visits to its offices, with a focus on elementary and junior high school students, and also actively conducts on-site classes at schools. At these events, Capcom conducts a program with two sessions: one is a career education support session which introduces the work done in a game software company and the difficulty and rewards of that work, and the other is a game literacy education support session which helps students use their own judgement to establish a healthy relationship with games. These programs have in turn been well-received in educational environments. Capcom has also incorporated opinions from educators to improve its educational efforts. In fiscal 2011, Capcom launched its second educational program, focused on the educational theme of career education support. In fiscal 2013, Capcom started a new class program on work and mathematics targeted towards elementary and junior high school students to help prevent children from losing interest in math, a challenge in recent years.

#### Capcom School Visit Feedback

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

- "I realized that I was playing games too much. In the future, I want to decide how long I will play." (Elementary school student)
- "Hearing my studies now will help me in the future makes me want to keep trying hard." (Junior high school student)
- "Some parts were hard for a fourth grader, but everyone seemed really interested, such as students talking about it between each other after." (Elementary school teacher)
- "As there are limited ways to get information on the game industry, from the perspective of career education I felt it was useful even for high school students." (Junior high school teacher at an integrated junior and senior high school)



As a result of these efforts, Capcom has welcomed 2,437 children as part of 313 different field trips into its offices (as of the end of March 2016). Capcom has also held 91 on-site classes for some 9,095 students at schools such as Nara Prefectural Seisho Junior High School (as of the end of March 2016).

**Community Building Support for Senior Citizens**

**Regular Video Game Arcade Tours**

Today, amusement facilities, otherwise known as video game arcades, are becoming increasingly popular among retired senior citizens as spaces for communication with other people. Since 2012, Capcom has held video game arcade tours on long public holidays and Respect-for-the-Aged Day for senior citizens where they can try out coin-operated games and crane games so that more people can make use of such facilities.

In addition, as part of efforts to create arcades where senior citizens can comfortably enjoy themselves, since 2012 Capcom has encouraged arcade staff to get the Service Assistant certification. Currently, 27 staff have received this certification.

## Responsibilities to Shareholders and Investors

**Initiatives for the General Shareholders' Meeting**

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

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

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

**2. Disclosure Criteria**

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

It is our policy to disclose as much information as possible, including the disclosure of information not required by the Timely Disclosure Rules and other regulations, to accommodate our investors' needs. We also disclose information through our corporate website in an attempt to provide quick and fair disclosure. Shareholders are informed of operating results and business conditions through shareholder letters.

**3. Quiet Period**

To prevent the unauthorized disclosure of quarterly earnings information prior to official announcements, Capcom has established a quiet period starting approximately 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 Special Prize at the Nikkei Annual Report Awards 2015 in the fiscal year ended March 2016, our IR website was selected by Daiwa Investor Relations for the Internet IR Grand Prize and we ranked second overall in the Fiscal 2015 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 2015 Third Party Evaluations**

Integrated Reports	18th Nikkei Annual Report Awards Special Prize
	League of American Communications Professionals (LACP) 2014 Vision Awards Annual Report Competition, Bronze Award, Technology/Software category
IR Website	Daiwa Investor Relations Co., Ltd. 2015 Internet IR Grand Prize
	Morningstar Inc./Gómez Consulting Ranked 4th overall in Gomez IR Website Ranking 2015
	Nikko Investor Relations Co., Ltd. Ranked 2nd overall in the Fiscal 2015 Listed Company Website Quality Ranking

**Making Use of Shareholder and Investor Opinions**

**Reflecting Results of Dialogues with Investors and Analysts in Management**

Through meetings with investors and analysts, Capcom's IR Department attempts to promote an understanding of



A discussion with shareholders



Our earnings presentation

management policies, strategies and future outlook with them. Furthermore, their opinions are gathered and provided to management, and are utilized for corporate management going forward. As a company based in Osaka, proactive IR meetings with these parties enables us to minimize asymmetric information as we strive to achieve appropriate corporate value. This fiscal year, meetings with investors in Japan and overseas and conference calls amounted to 370 points of contact with investors.

In addition, we conducted various initiatives in accordance with our adoption of our Corporate Governance Code. Specifically, our General Affairs Section collaborated with the Investor Relations Section on takeover defense measures, engaged in numerous discussions with shareholders in Japan and overseas concerning the validity of their content, and made changes where necessary while promoting understanding of the necessity of these measures. Furthermore, 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 titles of interest to investors, 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

**Fiscal 2015 IR Measures**

By category	Frequency
Visited by requests	186
Visited domestic investors	99
Visited overseas investors	85
<b>Total</b>	<b>370</b>

**IR Events**

Event	Details
CEO small meeting	Speaker: Kenzo Tsujimoto, Chairman and CEO
COO small meeting	Speaker: Haruhiro Tsujimoto, President and COO
External director small meetings	Speaker: Takayuki Morinaga, External Director
Supplementary explanatory earnings administrative officer conference call	Conference call before/after earnings announcement to explain the results
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

Financial Results and individual investor briefing sessions, allowing us to make proactive use of market opinions as one criterion in management decisions. Specific examples of how this information is used include (1) medium-term business goal revisions, (2) enhanced business strategies, (3) information disclosure content and timing reviews and (4) group meetings with management.

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

- Even though you had popular IPs, no results were seen in mobile. I have the impression that not many measures are being taken towards further reinforcement, including outsourcing.
- 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.
- Leaving treasury stock on the balance sheet long term is a problem. I understand keeping it for M&As, etc., but in principle, it should be retired.
- I would like to know the state of the development system, so I would like a meeting to be held with developers.
- How about releasing catalog sales ratios as material for evaluating strategies for anchoring long-term users.

**IR Activities on Our Website**

**Utilizing a Website That Anyone Can Access**

Since 2001, Capcom has made proactive use of its corporate website as a tool for disseminating information pertaining to IR activities. The main reasons for this are to ensure fairness for a wide range of stakeholders, including investors, analysts, the mass media and job-seekers, and because it easily ensures information is available for inspection immediately in about 200 countries worldwide. Capcom's corporate website is also positioned as our most cost-effective tool.

**IR Team**

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

Capcom IR activities are conducted by five 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 use the contact information below.



**Public Relations & Investor Relations Section**  
 PHONE: +81-6-6920-3623  
 E-mail: ir@capcom.co.jp  
 Business Hours:  
 9:00-12:00,  
 13:00-17:30 (JST)  
 (excluding weekends and public holidays)





Masao Sato



Takayuki  
Morinaga



Hiroshi Yasuda



Makoto Matsuo



Yoshihiko Iwasaki



Toru Muranaka



Tamio Oda



Yoichi Egawa



Kenzo Tsujimoto



Haruhiro Tsujimoto



Kenkichi Nomura



Kazushi Hirao

## Directors

(As of July 1, 2016)

### Kenzo Tsujimoto

Chairman and Chief Executive Officer (CEO)

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

### Haruhiro Tsujimoto

President and Chief Operating Officer (COO)

- Apr. 1987 Entered into the Company
- Jun. 1997 Director of the Company
- Feb. 1999 Managing Director of the Company
- Apr. 2001 Senior Managing Director of the Company
- Jul. 2004 Director and Executive Corporate Officer of the Company
- Apr. 2006 Director and Executive Vice President of the Company
- Jul. 2007 Representative Director, President and Chief Operating Officer (COO) of the Company (to present)
- Feb. 2015 Representative Director, in charge of Consumer Games Business of the Company
- Jul. 2016 Representative Director, in charge of Global Marketing Business of the Company (to present)

### Yoichi Egawa

Director and Executive Corporate Officer

- Apr. 1985 Entered into the Company
- Apr. 1999 General Manager of Creative Division 5 of the Company
- Aug. 1999 Corporate Officer, General Manager of Creative Division 5 of the Company
- Apr. 2005 Corporate Officer, Head of Contents Expansion Business Division of the Company
- Apr. 2006 Corporate Officer, Head of Pachinko & Pachislo Business Division of the Company
- Apr. 2011 Managing Corporate Officer of the Company
- Apr. 2013 Executive Corporate Officer of the Company (to present)
- Jun. 2013 Director, in charge of Arcade Business and Pachinko & Pachislo Business of the Company
- Apr. 2015 Director, in charge of Amusement Equipments Business and Arcade Operation Business of the Company
- Jul. 2016 Director, in charge of Amusement Equipments Business, Arcade Operations Business and Consumer Games Development (to present)

### Kenkichi Nomura

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

- Apr. 1979 Entered into Fuji Bank Ltd. (Currently Mizuho Bank Ltd.)
- Apr. 2007 Corporate Officer and Division Manager of Finance and Foreign Exchange Administration Service Division of Mizuho Bank Ltd.
- Apr. 2009 Corporate Officer in charge of Internal Control of the Company
- Jul. 2010 Managing Corporate Officer in charge of Financial and Accounting Division of the Company
- Jun. 2015 Managing Corporate Officer in charge of Financial and Accounting Division and Secretarial Affairs, PR and IR Division of the Company
- Apr. 2016 Executive Corporate Officer and Head of Finance, Accounting and Public Relations Division (to present)
- Jun. 2016 Chief Financial Officer (CFO) and in charge of Corporate Management of the Company (to present)

### Hiroshi Yasuda

Director **External Independent Director**

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

### Masao Sato

Director **External Independent Director**

- Apr. 1975 Entered into the National Police Agency
- Nov. 1995 Chief of Ehime Prefectural Police Headquarters
- Jan. 2001 Chief of Miyagi Prefectural Police Headquarters
- Aug. 2005 Chief of Chiba Prefectural Police Headquarters
- Jan. 2007 Director General of Kanto Regional Police Bureau
- Mar. 2008 Resigned from the National Police Agency
- Jun. 2008 External Corporate Auditor of the Chugoku Electric Power Co., Inc.
- Jun. 2016 External Director of the Company (to present)

### Toru Muranaka

Director **External Independent Director**

- Apr. 1995 Registered Lawyer (Osaka Bar Association)
- Entered into Daiichi Law Office (Currently Daiichi Law Office, P.C.)
- Dec. 2007 Partner of Daiichi Law Office, P.C. (to present)
- May 2014 Outside Audit & Supervisory Board Member of Furuno Electric Co., Ltd. (to present)
- Jun. 2015 Outside Audit & Supervisory Board Member of Suzuken Co., Ltd. (to present)
- Jun. 2016 External Director of the Company (to present)

### Kazushi Hirao

Director  
<Full-time member of the Audit and Supervisory Committee>

- Jun. 1988 Entered into the Company
- Apr. 1997 General Manager of Overseas Business Dept. of the Company
- Jul. 1999 Corporate Officer, General Manager of Overseas Business Dept. of the Company
- Oct. 2002 General Manager of General Affairs Dept. of the Company
- Apr. 2004 Senior Manager of Investor Relations Section of the Company
- Jun. 2004 Corporate Auditor of the Company (full-time)
- Jun. 2016 Director (Full-time member of the Audit and Supervisory Committee) of the Company (to present)

### Yoshihiko Iwasaki

Director **External Independent Director**

<Full-time member of the Audit and Supervisory Committee>

- Apr. 1979 Entered into National Tax Agency
- Jul. 1986 District Director of Ijuin Tax Office
- Jul. 1997 Deputy Commissioner (Revenue Management and Collection) of Hiroshima Regional Taxation Bureau
- Jul. 1999 Deputy Commissioner (Large Enterprise Examination and Criminal Investigation) of Hiroshima Regional Taxation Bureau
- Jul. 2003 Director of Commissioner's Secretariat, the National Tax Agency
- Jul. 2007 Assistant Regional Commissioner (Management and Co-ordination) of Nagoya Regional Taxation Bureau
- Jul. 2008 Executive Director of National Tax College
- Jul. 2009 Director-General of Kanazawa Regional Tax Tribunal
- Jul. 2010 Director-General of Sapporo Regional Tax Tribunal
- Jul. 2011 Vice President of National Tax College
- Jun. 2012 External Corporate Auditor of the Company (full-time)
- Jun. 2016 Director (Full-time member of the Audit and Supervisory Committee) of the Company (to present)

### Tamio Oda

Director  
<A member of the Audit and Supervisory Committee>

- 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
- Jul. 2010 Director, Chief Financial Officer (CFO) of the Company
- Apr. 2011 Director, Executive Vice President of the Company
- Jun. 2016 Director (Audit and Supervisory Committee) of the Company (to present)

### Makoto Matsuo

Director **External Independent Director**

<A member of the Audit and Supervisory Committee>

- Apr. 1975 Admitted to Japanese Bar (The Dai-ichi Tokyo Bar Association) Ozaki & Momo-o
- Aug. 1978 Weil, Gotshal & Manges in New York
- Mar. 1979 Admitted to New York Bar
- Apr. 1989 Partner of Momo-o, Matsuo & Namba (to present)
- Apr. 1997 Lecturer of Nihon University, Faculty of Law: International Transaction Law
- Jun. 1999 External Corporate Auditor of Victor Company of Japan, Limited
- Jun. 2000 External Corporate Auditor of Billing System Corporation
- Jun. 2003 External Corporate Auditor of Yamanouchi Pharmaceutical, Co., Ltd.
- Jun. 2004 External Director of the said Company
- Apr. 2005 External Director of Astellas Pharma Inc. Lecturer of Hitotsubashi University Faculty and Graduate School of Law: World Business Law
- Jun. 2007 External Director of the Company
- Oct. 2008 External Director of JVC KENWOOD Holdings, Inc.
- Jun. 2009 External Corporate Auditor of Toray Industries, Inc.
- Mar. 2015 External Director of TonerGeneral Sekiyu K.K. (to present)
- Jun. 2016 External Director (Audit and Supervisory Committee) of the Company (to present)

### Takayuki Morinaga

Director **External Independent Director**

<A member of the Audit and Supervisory Committee>

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



# Principal Discussions at Board of Directors Meetings Held in Fiscal 2015



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. (As of March 31, 2016) In addition, they focus on promoting growth strategies utilizing corporate governance, vigorously discuss the ideal state of the Company's organizational design related to corporate governance and their accountability to shareholders and investors. The heated discussion with external directors produced numerous suggestions, two of which are presented in this section.

Note: Light blue highlights indicate external director comments. Mr. Iechika was appointed to the board as an external director for five years beginning in 2002. Legally, he was not an external corporate auditor, but in practice, he conducted audits in the same capacity as an external corporate auditor.



## Item 1

### Discussion on Corporate Governance Codes (Hereinafter, "Codes")

**Oda** The Code, which went into effect as of June 2015 in Japan, consists of 73 principles. To ensure continuity within the organization and its mechanisms and promote growth strategies, in addition to providing more substantial content for the 26 items that we must focus more of our efforts on, which include expanded business execution functions and the establishment of a nominating committee, Capcom plans to disclose in total all 73 items.

**Matsuo** Allow me to ask: what is the reason for publishing all items?

**Oda** For example, even if we were to only disclose the compulsory 11 items, the Code does not define each of the terms but rather the Company interprets them; thus, in the case that we comply (and thus are not required to explain ourselves), there is the possibility of a difference in interpretations arising. For this reason, we will record items that clearly require an explanation (due to non-compliance) under "explain," while at the same time disclosing Capcom's view on all 73 items.

**Matsuo** Going forward, each company must disclose their response to the Code. I think some companies will disclose only the bare minimum, while others will take the opportunity to carefully disclose their point of view. Considering the risk of mistakenly assuming a company is in compliance, from the perspective accountability, Capcom believes it appropriate to disclose descriptions of all items.

**Iechika** I don't object to Capcom adopting this stance, but it appears there are several incomplete descriptions. For example, in supplementary principle 4.11.3 "Analysis and Evaluation of Board of Director Effectiveness," there is a description of internal control systems, but there is no description regarding Board of Director deliberations, thus from a self-evaluation perspective this response is insufficient. I would like to see disclosure pertaining to analysis and evaluation packed with concrete details, including preparations for Board of Director meetings, the provision of materials, explanation of items for deliberation as well as agenda selection policies and board discussions aimed at improving efficacy. Furthermore, operations after the Code is submitted are critical, thus I would like Capcom to continue making improvements in areas where there are deficiencies going forward.

**Oda** As you point out, self-evaluation of these principles is important. To execute growth strategies, we need to compare the current and ideal states of the Board and of course make improvements in areas where there are differences. Moreover, in item (4) of the explanation of this supplementary principle, details regarding Board of Director meeting discussions and small meetings with external director Morinaga among other initiatives are disclosed in the integrated report. Our adoption of proxy advisor opinions has been well received outside the Company.

**Matsuo** This particular code is for institutional investors in the U.S. and Europe, so we can consider externally entrusting supplementary principle 4.11.3. I personally think of takeover defense measures up to now and the introduction of this code as opportunities, and that the Company, which has utilized the transition to a company with audit and supervisory committee as a contributor to its growth strategies, is more keenly aware of governance compared to other companies.

**Iechika** Rather than an end in itself, governance is a means to an end. To achieve results, we need to use the code appropriately



rather than wave it around.

**Kenzo Tsujimoto** Management entails taking on risk. Use of the code is the means by which to control risk. We must constantly review our governance structure and control risks to develop a future vision and move forward.

## Item 2

### Discussion on the Transition to a Company with Audit and Supervisory Committee

**Morinaga** (In response to an explanation) If organizational design is for promoting growth strategy, I think the company with a board of corporate auditors we have operated under up to now functions sufficiently. At the present time, is there something we are lacking?

**Oda** The global video game software market is undergoing significant changes and growth, so we must promote an aggressive growth strategy to enhance Capcom's corporate value. To promote these growth strategies, speedy and accurate decision-making are a necessity. Under certain conditions, in a company with audit and supervisory committee, some of the important business execution can be delegated to the president and other executive directors. Comprehensive audit and supervisory functions are necessary for ensuring appropriate delegation. As the monitoring of legality in a company with audit and supervisory committee is conducted as a matter of course, the monitoring is also verified. For this reason, auditing and supervisory committee members have Board of Director voting rights as corporate directors. For Capcom to grow, I think this transition is a good idea.

**Matsuo** In addition to auditing focused on legality up to now and internal auditing of execution, there is merit in this transition as it will strengthen the monitoring function by enabling validity monitoring. As a result, as we execute growth strategies, we will be able to ensure a system for monitoring deviations in budgetary and financial management.

**Iechika** Governance configuration is a means not an end. For example, when considering and executing policies aimed at enhancing corporate value, the degree to which we are able to make effective judgements is an issue of governance. Furthermore, the audit and supervisory committee is hybrid governance, so we must sufficiently consider the relationship between execution and supervision. By absorbing auditors into the Board of Directors, auditor and supervisory committee member independence will be

lost, resulting in the issue of how to distribute authority. Finally, with respect to agenda criteria at Board of Director meetings, after considering Capcom's present situation, I'd like you to consider what agenda items would be narrowed down and delegated to the president, etc., to enable the Board of Directors to make the most of its traditional function.

**Kenzo Tsujimoto** There are many agenda items brought up as resolutions with content sufficient for reporting items, such as management system and partial personnel reshuffling. In terms of forward-looking policies, audit and supervisory committee members make decisions from a stance different from business execution, and we will create an organizational structure able to narrow down important issues for discussion at Board of Director meetings.

**Matsuo** A company with audit and supervisory committee is a good institutional design in terms of governance strength from the perspective of overseas institutional investors. In addition, we can expect effective governance due to director, audit and supervisory committee member terms of office. Furthermore, governance is not over once mechanisms are created, because the way in which operations are conducted is also important. Transitioning from a company with a board of corporate auditors with a complete auditing function to a company with audit and supervisory committee with a new auditing function requires a considerable amount of investigative work, including external directors, thus I would like you to respond after careful consideration.

**Iwasaki** As a mechanism of internal control and internal audit, until now it was under the Board of Directors, which itself had been audited by the Board of Corporate Auditors. Transitioning to an audit and supervisory committee, audit and supervisory committee members will be part of the Board of Directors, with internal controls and internal auditing directly under the audit and supervisory committee, enabling the efficient execution of business. However, as the audit function in each department up to now will be dissolved, you need to consider how you are going to respond.

**Oda** Understood.





## Dialogue Between an External Director and Institutional Investors



Small Meeting

Held July 2016: Theme

### The Role Demanded of External Directors Under the New Governance Structure

**Takayuki Morinaga, External Director and Chairman of the Audit and Supervisory Committee**

At the Shareholders' meeting in June 2016, the transition to a company with an audit and supervisory committee was approved and adopted. With consideration also for the evaluation of foreign shareholders, the transition was decided to function as a mechanism for supporting growth strategies going forward. In addition, by directly linking the Internal Audit Division to the Audit and Supervisory Committee, we will further strengthen audit and supervisory functions. This is an attempt to improve management's



**Takayuki Morinaga**  
Capcom Co., Ltd. External Director,  
Chairman of the Audit and Supervisory Committee

risk management function by making directors of auditors who traditionally had no voting power. As the Chairman of the Audit and Supervisory Committee, I feel it is important to have skills enabling me to accurately judge the appropriateness of strategies in response to a given situation.

#### Q&A Summary

**Q** In terms of game company growth strategies, how well the development structure and environment is established is an extremely important point, so what do you think your role should be as an external director?

**A** R&D department is Capcom's lifeline, which I am fully aware is an important asset. Thus, skill enhancement and other human resources development training is essential for improving our developers' capabilities. At the same time, we cannot ignore the efficacy of alliances and collaborations with other companies. I think it is desirable for management to skillfully utilize external resources in areas outside the Company's core competence or when it would take too much time for one company to achieve an objective alone. These are the kinds of proposals I want to make.

**Q** In terms of your supervisory function as an external director, what do you attach the most importance to?

**A** The most important evaluation criterion is whether an action leads to shareholder profits. For example, evaluations (risk

control) concerning the legality and validity of executive division strategies, and decisions related to the pros and cons of executing takeover defense measures.

**Q** In your role as external director, in addition to that kind of risk management, aren't you also asked to correct the Company's trajectory to avoid missed opportunities? Looking at the profiles of all the current external directors, I get the impression that there is a lack of people able to provide advice on the direction of growth strategy. For example, other companies in this industry are raking in huge profits in the mobile games area. Has Capcom failed to achieve success in this area because there are few external directors with ample management experience?

**A** Beyond aiming to enhance corporate value, I am cognizant that course adjustments are also one of our critical roles. Risks pertaining to growth strategies involve investment risks as well as risks in not investing. The decision not to invest has the potential for a missed opportunity. In order for Capcom to break the 100 billion yen net sales barrier, there are three issues I think need to be addressed: the aforementioned improvements to the development structure, aggressive and bold challenges in new areas such as mobile games and expanding into new, high-potential overseas markets, such as Asian. To achieve sustainable growth, we must not only manage risks, but also flexibly execute course adjustments. I will leverage my management experience up to now to fulfil this major role.

**Q** At an owner-run company like Capcom, to what degree are Audit and Supervisory Committee member opinions reflected in Board of Director resolutions? At various companies around the world, family feuds are becoming a problem. This isn't an issue at Capcom?

**A** Chairman Tsujimoto possesses a unique and excellent management intuition, a skill most ordinary managers are unable to replicate. Thus, I want to respect the distinctiveness that is the positive aspect of an owner-run company. Even in the event

rash actions are taken, there are at present six external directors comprising a governance structure able to provide sufficient protection. It's not at all the case that just because this is an owner-run company no one can say anything. We routinely say whatever is on our mind and fully express our opinions. Also, debates during Board of Director meetings frequently become heated, but this is not a problem. If anything, without constructive and passionate discussions, we would probably be unable to generate truly effective measures and policies.

**Q** How have you responded to recent requests for Board of Director evaluations?

**A** In light of our transition to a new governance structure, our policy is to continue exploring the ideal state of the Board of Directors. We plan to begin examining this issue during the current fiscal year, so right now I would ask you to please wait a bit longer until we have come to a conclusion with respect to the evaluation criteria.

**Q** I want you to discuss your thoughts regarding how to indicate objectives to investors going forward.

**A** We will not only simply respond to market changes, but also want to pursue business that I hope enables us to create markets ourselves. There is no first-mover advantage in following changes. Rather than focusing on how to pursue, it is important to focus on how we can create markets on our own. To this end, we external directors will proactively propose structures and directions for the Company.

#### Participants

**Capcom Co., Ltd. :** Takayuki Morinaga (External Director, Chairman of the Audit and Supervisory Committee)/Tamio Oda (Director, Audit and Supervisory Committee)/ Kenkichi Nomura (Director, Executive Corporate Officer and Chief Financial Officer)

**Investors in Attendance :** Akitsugu Era (BlackRock Japan Co., Ltd.)/Ichiro Yamaguchi (Daiwa Asset Management Co., Ltd.)/Daisuke Oshidari (JPMorgan Asset Management (Japan) Ltd.)/ Kenji Kido (Mizuho Trust & Banking Co., Ltd.)/Tomoki Ito (Nikko Asset Management Co., Ltd.)/ Mitsuyasu Iwao (Nissay Asset Management Corporation)/Naoki Iwata (Nomura Asset Management Co., Ltd.)/Akio Otani (Tokio Marine Asset Management Co., Ltd.)



# Governance Reforms for Further Growth

## Course of Governance Reforms

One of the purposes of Capcom's governance reforms is the creation of systems for management - that is, making management more transparent and visible.

Generally, the strengths of an owner-run company are momentum via fast decision making, and managerial flexibility that makes it possible to not dwell on the past and implement structural reforms. Conversely, concerns over the founder's complacency and the difficulty of passing on management to the next generation can be presented as weaknesses of this system.

In order to eliminate these concerns, Capcom believes the creation of management systems which are easily visible from outside the company as well such as with external directors and stock markets. In addition, formal systems alone are meaningless; the systems must also be effective. To this end, Capcom has implemented the governance reforms listed in the table below.

Specifically, in 2001 Capcom was one of the first Japanese companies to bring on board external directors. This was because Capcom sought differing opinions, such as dispassionate judgement of our management and business activities by experts with high level knowledge in a variety of fields. In that same time period, Capcom strengthened its investor relations activities, the main point of which was to engage in highly transparent management by promoting dialogue with stock markets and releasing relevant information. In addition, in 2011 Capcom established its own Audit Committee. From another perspective, legal auditing provided by corporate

auditors was initiated as a unique organization in Capcom for the management of risk in the administration of business matters and preceded the concept of the "propriety audit" in today's company with an audit and supervisory committee. Since 2014, Capcom has released portions of Board of Directors meeting discussions and held meetings between external directors and institutional investors. Amidst a string of corporate scandals both in Japan and overseas, the purpose of the meetings was to have institutional investors determine whether management monitoring by external directors was functioning effectively. And in 2016, Capcom significantly changed its organizational design, transitioning from being a company with a corporate auditor system to a company with an audit and supervisory committee. A more detailed description is provided on the following page, however Capcom has broadly strengthened supervisory functions across the entirety of its management, including 1) giving voting rights at Board of Directors meetings to directors who are Audit and Supervisory Committee members; 2) implementing propriety audits in addition to legal audits; and 3) making it possible for the Audit and Supervisory Committee to engage in systematic monitoring using internal control systems.

Capcom believes that corporate governance is essential to corporate growth and as such will continue to strengthen its governance system both in terms of organization and operation.

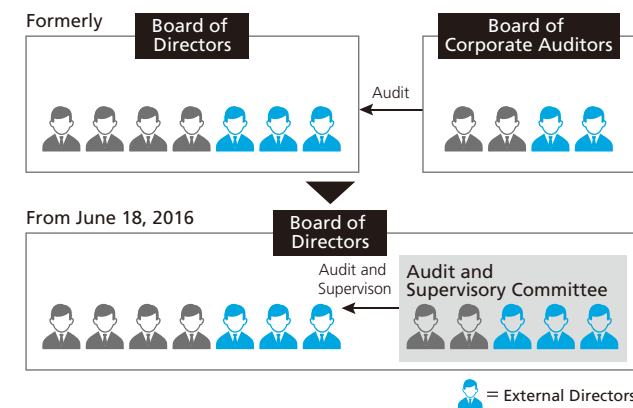
### Main Governance Reform Initiatives

Month/year	Measure	Purpose
Jul. 1999	Introduced Corporate Officer System	Clearly separated execution of management and supervision
Jun. 2001	Brought on board first two external directors	Strengthened management monitoring functions
Jun. 2001	Increased number of external auditors by one, appointing three	Strengthened auditing functions
Jun. 2001	Strengthened investor relation activities	Secured transparency
Feb. 2002	Established Remuneration Committee	Secured fairness and propriety of director remuneration decisions
Apr. 2003	Established Compliance Committee	Prevented violations of laws and ordinances
Jun. 2003	Increased number of external directors by one, appointing three	Strengthened management monitoring functions
Apr. 2011	Established Audit Committee	Strengthening risk management through auditing the state of business administration
Jan. 2014	Strengthened shareholder relations activities	Promoted understanding of agenda items
Jun. 2014	Shortened director terms from two years to one year	Clarified director management responsibilities
Sep. 2014	Released major Board of Directors' meeting discussions in the annual report	Provided example of effectiveness of management monitoring functions
Jun. 2015	Held small group meeting between external directors and institutional investors	Provided example of effectiveness of management monitoring functions
Jun. 2016	Transitioned into a company with an audit and supervisory committee with a 50% ratio of external directors	Strengthened supervisory function of Board of Directors meetings
Jun. 2016	Established Nominating Committee	Secured objectivity and propriety of decision process for selecting director candidates

## Four Features of Capcom Corporate Governance

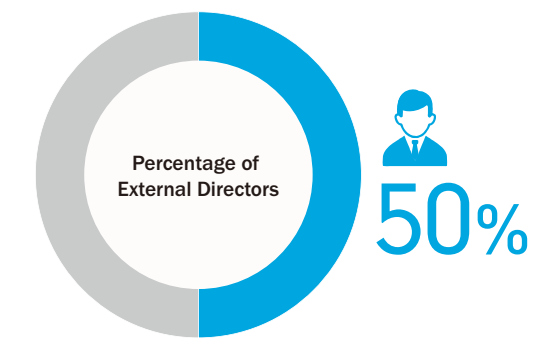
### 1 Transition into a company with an audit and supervisory committee to strengthen governance

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



### 2 Proactive appointment of external directors

Capcom has reached our highest ever rate of external directors at 50% through proactively appointing external directors since June 2001. The advice, opinions, and scrutiny provided by external directors increases the transparency and credibility of Board of Directors' meetings and vitalizes the same while also strengthening the function of the meetings to supervise management.



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

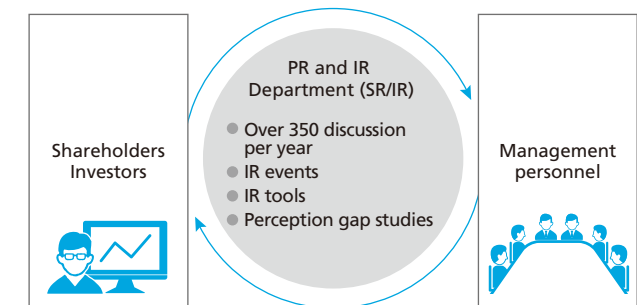
Capcom has disclosed all 73 of its Corporate Governance Code items in order to revalidate the current state of the company's governance system and its ideal state, together with achieving accountability for each item. Capcom attaches particular importance to 26 items which are comprised of 10 items which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

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

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

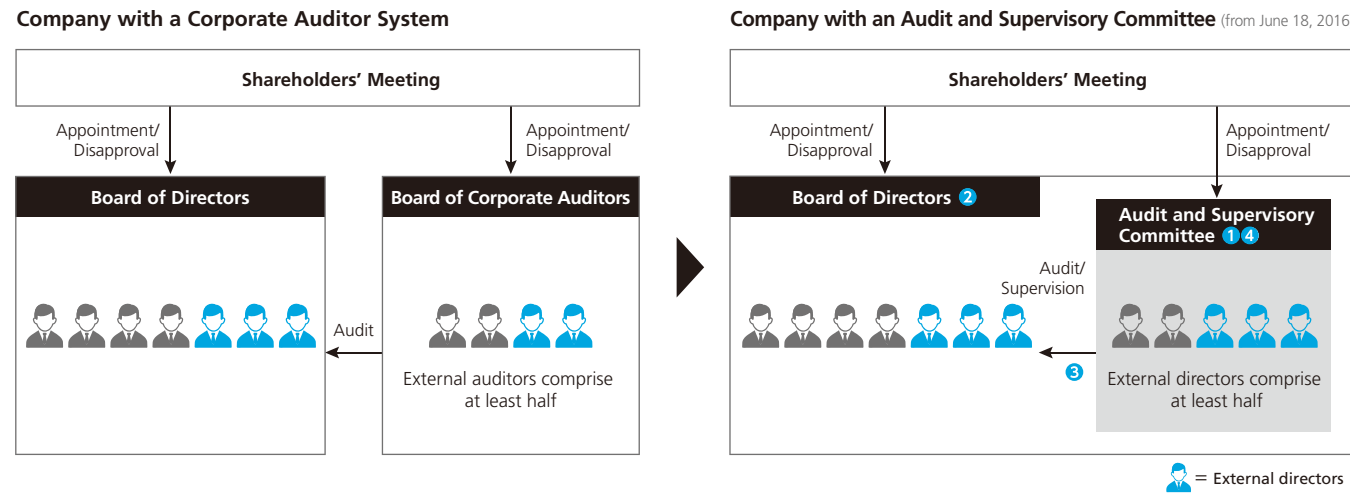
### 4 Mechanism for reflecting investor and analyst opinions in management

Capcom's IR Department engages in discussions with analysts and investors over 350 times per year. In addition to promoting understanding of management policies and business strategies, the IR Department applies these activities to corporate management, summarizing market opinions and providing feedback to management personnel. Capcom is also further enhancing events and tools for investors, strengthening shareholder and investor relation activities.



# Transition into a Company with an Audit and Supervisory Committee

## Structure and Merits of a Company with an Audit and Supervisory Committee



### Merits of the Transition for Capcom

- 1 Voting rights in Board of Directors meetings for directors who are Audit and Supervisory Committee members
- 2 A portion of important business administration matters can be entrusted to directors
- 3 Adds propriety audits to legal audits
- 4 Audit and Supervisory Committee members can engage in systematic audits using internal control systems

Capcom aims to maximize long term corporate value based on its growth strategy. However, in order to ensure stable corporate management, Capcom believes it is essential to have a management base which can engage in thorough risk management. As such, on June 18, 2016 Capcom transitioned from a company with a corporate auditor system to a company with an audit and supervisory committee in order to strengthen the monitoring function of Board of Directors' meetings to further strengthen our management base, as well as to functionally expand management via fast decision making and increase understanding among overseas investors.

### 1. Structure

A company with an audit and supervisory committee is one type of organizational design for a public company introduced with the revisions to the Companies Act made in 2014.

In a company with an audit and supervisory committee, there are no auditors or auditor system. Instead, directors who are Audit and Supervisory Committee members are selected and an Audit and Supervisory Committee is established comprised of a majority of external directors. In other words, it is like a company with a corporate auditor system which has given Board of Directors meeting voting rights to its auditors. This type of structure makes it possible to further strengthen the monitoring function of Board of Directors' meetings.

### 2. Merits

This transition offers the four merits listed in the table above to Capcom.

As concerns merit 1, not only is there no such corporate auditor system in Europe and North America as found in Japan, auditors have no voting rights in Board of Directors meetings. As such, overseas institutional investors and others found it difficult to understand the monitoring function of our Board of Directors meetings. Compared with the corporate auditor system, a company with an audit and supervisory committee is a much easier to understand organizational design. As concerns merit 2, by narrowing down Board of Directors meeting agenda items to highly important topics such as management policies and business strategy, management can be developed more quickly and flexibly, and external directors can focus further on their supervisory function. Merit 3 not only gives the Audit and Supervisory Committee the right to state its opinions on director selection and remuneration at general shareholder meetings but also strengthens Capcom's risk management through the monitoring of the administration of business matters. As regards merit 4, as auditors are independent, they fundamentally engage in their own auditing, but Audit and Supervisory Committee members can order staff in the Internal Audit Department, an organization under their direct control, to implement an internal audit, and can scrutinize the resulting report. As the scope of business grows larger, such as through the expansion of the number of subsidiaries both domestic and international, the auditing function grows stronger than having several corporate auditors check the entirety of the companies in a group.

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



### Serving in the role of risk control for company growth

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

"It is said that the transition to a company with an audit and supervisory committee in order to further the growth strategy was necessary, but what is lacking now?" "In order to strengthen monitoring functions, why is a company with a nominating committee not acceptable?" – As this is an important change to the company's organizational design, there were many questions from the Board of Directors and investigating the necessity of this move was discussed over many hours. Initially, there were concerns about what it meant to so easily transition to the organizational design in fashion today. However, we have reached the conclusion that a company with an audit and supervisory committee is the best method to further enhance governance and increase corporate value.

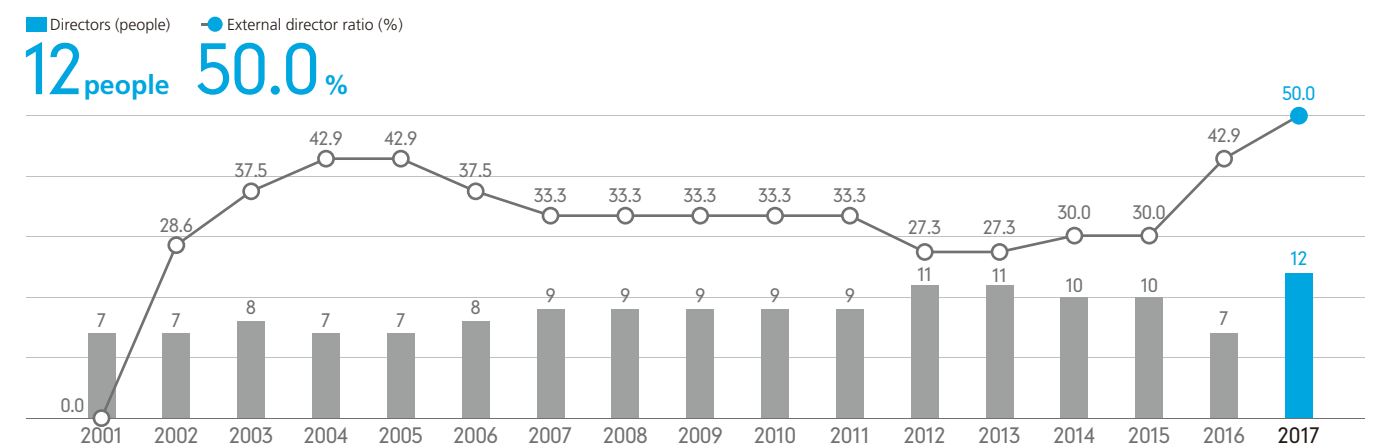
In my experience managing risk as part of corporate management, a company's fate is determined by how quickly it can gather data both internally and externally. For global companies, in addition to auditing the lawfulness of the administration of business matters, the necessity of auditing the propriety of the administration of business matters is increasing. This is because business risk expands in proportion to the implementation of a company's growth strategy, which also significantly influences

corporate value. Because of this, we have established an Internal Audit Department under the direct control of the Audit and Supervisory Committee in order to make it possible to gather information and audit it in an agile manner. It has also become clear in recent years, through corporate scandals both in Japan and overseas, that the presence or absence of a system like this significantly influences the effectiveness of risk management. However, in "auditing of propriety," the Audit and Supervisory Committee must have the ability to appropriately evaluate propriety, which I feel is a large responsibility.

In addition, as concerns a company with a nominating committee, another possible organizational design in the Companies Act is North American-style "monitoring" (with a supervisory body). We found this differs from the conventional Japanese-style "management" (with an ultimate decision-making body concerning the administration of business matters) not only in terms of the composition of directors but also the corporate culture, and arranging these would have required a significant amount of time. The Nominating Committee and Remuneration Committee established as part of our transition are advisory committees, the Audit and Supervisory Committee holds the right to express its opinion at general shareholders meetings concerning director selection and remuneration. We acknowledge that this will serve as a strong check and balance function and that at this time a company with an audit and supervisory committee is the best for Capcom.

Conversely, while obvious, no organization is perfect. I do not mean this in the sense of "ploughing the field and forgetting the seed" but rather that what is important is to what extent we make use of this system to improve Capcom's governance system. It is my desire to fulfil my role of risk control in Capcom's growth strategy based on a firm understanding of the balance between execution and supervision and the independence of auditing as discussed at the Board of Directors.

### Ratio of Internal Directors to External Directors

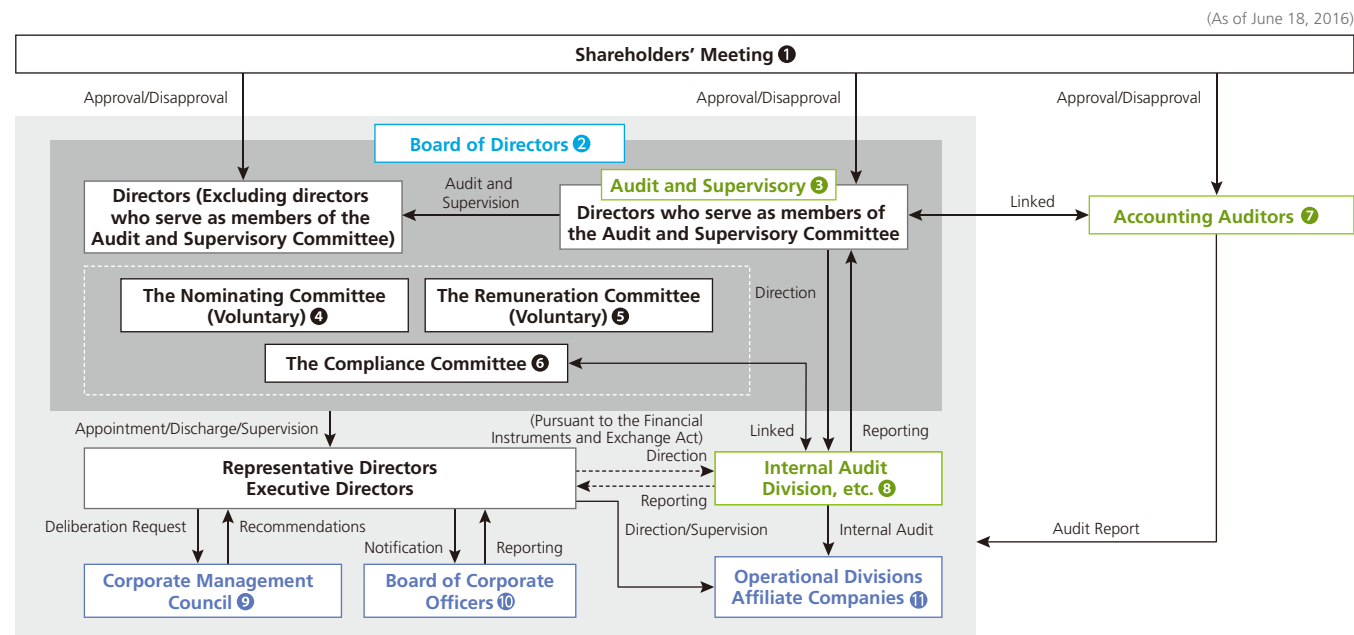


(Fiscal years ending March 31)



# Corporate Governance Structure and Initiatives

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



## Corporate Governance Structure

### Enhancing Management Health and Transparency while Responding to Changes in the Environment

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

#### 1 Shareholders' Meeting (Convened on June 17, 2016)

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

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.

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

#### 2 Board of Directors (Convened 14 times in the year ended March 31, 2016) Supervision

##### Management Decisions that Incorporate Outside Opinions

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

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

#### 3 Audit and Supervisory Committee (newly established for the year ending March 31, 2017) Audit

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

The Audit and Supervisory Committee is composed of five directors (three of whom are external directors). Also, the collection and sharing of information is carried out by selecting two full time members of the Audit and Supervisory Committee in addition to using an internal control system to carryout organizational audits and supervision.

In addition to formulating auditing policies and providing consultation regarding audit results, the Audit and Supervisory Committee cooperates with the Internal Audit Division and gives advice to audited divisions regarding items to be improved, etc., working to see that internal control functions effectively in each division.

They also objectively and fairly check the legality and propriety of execution of operations by directors by exchanging opinions and information with the Accounting Auditors and attending important meetings.

NEW

#### 4 The Nominating Committee

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

In June 2016 Capcom established a voluntary nominating committee with an external director as committee chairman as a consulting organization to the Board of Directors in order to ensure the objectivity and propriety of the decision process to select candidates for director.

#### 5 The Remuneration Committee (Convened two times in the year ended March 31, 2016)

##### Recommending Details of Director Compensation

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

#### 6 The Compliance Committee (Convened four times in the year ended March 31, 2016)

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

In order to ensure compliance, the Compliance Committee meets quarterly and has an external director with the qualification of a lawyer as the chairman. In order to prevent illegal activities and misconduct Capcom has established Compliance Hotline Rules and, so that all employees can directly report illegal activities or misconduct, we have also established an internal hotline, and conduct periodic compliance checks to regularly monitor status, etc. To ensure effectiveness, problems confirmed by this committee and issues that must be dealt with are properly disposed of.

#### 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

##### Auditor Remuneration (Year ended March 31, 2016)

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

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: 7 (those who have passed the certified public accountant exam and persons in charge of system audits)

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

#### 8 Internal Auditing Division Audit

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

We have established an internal auditing division as an internal audit organization in support of the Audit and Supervisory Committee. This division primarily conducts regular monitoring of each division and Group companies from the standpoint of risk management. In addition information is collected and analyzed from the standpoint of legality, propriety, and efficiency so internal operational risk and inefficiencies are properly understood, working to prevent the occurrence of crises and improve operations. In addition, in the event of an unforeseen situation, the Audit and Supervisory Committee contributes to the formulation of appropriate management decisions by quickly reporting to the Audit and Supervisory Board with a report examining and analyzing the causal factors in an attempt to minimize losses to the company.

#### 9 Corporate Management Council (Convened 24 times in the year ended March 31, 2016) Implementation

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

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

#### 10 Board of Corporate Officers (Convened 12 times in the year ended March 31, 2016) Implementation

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

In order to clarify monitoring and business operation functions, Capcom adopted the corporate officer system. The Board of Corporate Officers is convened once a month. At the Board of Corporate Officers, in addition to executing business based on Board of Directors' decisions, there are reports on policies for execution of business and the formulation of plans. Also, there are reports at the monthly meetings of the Board of Directors about the status of business execution by the Corporate Officers.

#### 11 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.



External Directors

Using External Perspectives to Ensure Effective Governance

External directors ensure the effectiveness of the corporate governance function by playing key roles in the Compliance, Nominating and Remuneration Committees. They also focus efforts on compliance and the prevention of corrupt or illegal activities, and **openly exchange opinions and provide counsel at Board of**

**Directors meetings in an effort to strengthen the management audit function.**

Also, the Secretariat staff helps with the work of the external directors not Members of the Audit and Supervisory Committee and with regards to external directors who are Members of the Audit and Supervisory Committee, the full-time staff of the Internal Audit Task Force helps with their work.

Board of Directors and External Auditors Rate of Attendance (Year ended March 2016)

	Name	Independent director	Reasons for selection	Board of Directors/Board of Corporate Auditors Rate of Attendance (Year ended March 2016)
External Directors	Hiroshi Yasuda	○	Appointed with overall consideration for character, business acumen and successive appointments to important posts	Board of Directors Attended 14 of 14 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 13 of 14 meetings (92.9%)
	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 14 of 14 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 14 of 14 meetings (100%) Board of Corporate Auditors Attended 13 of 13 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 14 of 14 meetings (100%) Board of Corporate Auditors Attended 13 of 13 meetings (100%)

Officer Remuneration

The Remuneration Committee Makes Recommendations to Ensure Fairness and Transparency

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

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

The remuneration of the directors who serve as members of the Audit and Supervisory Committee is not linked to performance from the perspective of securing their independence and thus determined through discussions, taking the difference of full-time or part-time service into account, by the directors who serve as members of the Audit and Supervisory Committee.

Officer Remuneration (Year ended March 31, 2016)

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

Type of director	Total Remuneration (million yen)	Total of remuneration, etc. by type (million yen)				Number of directors paid
		Basic remuneration	Stock options	Bonus	Severance	
Director (excluding external directors)	324	265	-	50	9	7
Auditor (excluding external auditors)	28	28	-	-	0	2
External director	56	56	-	-	-	5

Notes 1: The above includes three directors who left office due to their tenure ending at the conclusion of the 36th Regular General Meeting of Shareholders held on June 12, 2015.  
2: The above includes one auditor who died in office on March 2, 2016.

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

Name	Total of consolidated remuneration, etc. (million yen)	Type of director	Type of company	Total of consolidated remuneration, etc. by type (million yen)			
				Basic remuneration	Stock options	Bonus	Severance
Kenzo Tsujimoto	100	Director	Delivery company	80	-	20	-

Note: The listing of total of consolidated remuneration, etc. is restricted to persons with 100 million yen or more.

Policy Regarding Deciding the Calculation Method and Amount of Directors' Remuneration

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

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

- a. Monthly remuneration is fixed.
- b. The amount of bonus is determined within the reasonable range based on the monthly remuneration and the Company's performance.
- c. Other than the remunerations listed above, appropriate remuneration based on individual achievement may be paid within a determined range.

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 35th among 3,460 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 1.1% of Japan's listed companies. Our score also exceeded the average for all listed companies and for the industry, at 5.45 points and 7.77 points, respectively. 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.

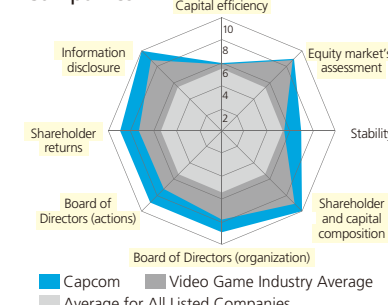
Going forward, we continue making improvements based on consideration of external data to earn an even stronger assessment, and further promote the external visibility of our governance by posting this and other data on our corporate website.

Third-Party Assessment Results of Capcom's Corporate Governance

Details of Capcom's Corporate Governance Assessment

Categories	Score
Total Score	8.75
Rank	35
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 Adoption of the Corporate Officer System
Board of Directors (actions)	9	Amount of director treasury stock holdings Amount of president's treasury stock holding
Shareholder returns	9	Shareholder return ratio
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, and the results of voting.

Resolutions	Approval Votes	Votes Opposed	Abstained Votes	Approval Rate (%)	Voting Results
<b>First proposal:</b> Proposed Appropriation of Retained Earnings	453,673	3,570	0	98.60	Approved
<b>Second proposal:</b> Partial Amendments to the Articles of Incorporation	453,725	3,517	0	98.61	Approved
<b>Third proposal:</b> Election of Seven Directors (excluding Directors who are members of the audit and supervisory committee)					Approved
Kenzo Tsujimoto	450,336	6,905	0	97.88	
Haruhiro Tsujimoto	446,497	10,744	0	97.04	
Yoichi Egawa	448,133	9,108	0	97.40	
Kenkichi Nomura	448,116	9,125	0	97.39	
Hiroshi Yasuda	445,388	11,854	0	96.80	
Masao Sato	455,128	2,115	0	98.92	
Toru Muranaka	438,455	18,788	0	95.29	

Resolutions	Approval Votes	Votes Opposed	Abstained Votes	Approval Rate (%)	Voting Results
<b>Fourth proposal:</b> Appointment of Five Directors who are Members of the audit and supervisory committee Kazushi Hirao Yoshihiko Iwasaki Tamio Oda Makoto Matsuo Takayuki Morinaga	444,350 454,862 446,190 427,051 454,919	12,889 2,380 11,049 30,191 2,323	0 0 0 0 0	96.58 98.86 96.98 92.82 98.87	Approved
<b>Fifth proposal:</b> Election of One Director who is a substitute member of the audit and supervisory committee	457,069	174	0	99.34	Approved
<b>Sixth Proposal:</b> Determination of the Amount of Remuneration for Directors (excluding Directors who are members of the audit and supervisory committee)	456,489	242	511	99.21	Approved
<b>Seventh proposal:</b> Determination of Amount of Remuneration for Directors who are members of the audit and supervisory committee	456,467	264	511	99.21	Approved

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



# Internal Control System 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. Develop a System to Maintain Appropriate Business Practices

##### (1) System for storage and management of information related to directors' performance of duties

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

##### (2) System Regulations, etc. Concerning Risk Management

We are working to see that with "crisis management regulations," and other such means the system-wide risk management structure functions to proactively prevent crises and execute the appropriate actions if unforeseen events occur.

##### (3) System to Ensure that Directors Perform Duties Efficiently

Capcom introduced a Corporate Officer System under which the duties of the Board of Directors, which decides business policy, and corporate officers, who execute operations, are separated and promote smooth and flexible business operations through speedy decision-making and enhanced management efficiency.

##### (4) System to Ensure that Performance of Duties by Employees Conforms with Laws and Regulations, etc.

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) System to Ensure the Appropriateness of Duties in the Capcom Group

Capcom requires the reporting of important subsidiary information, such as the current state of business and business forecasts. This is accomplished through close cooperation and mutual understanding between the parent and subsidiaries based on convening Board of Directors meetings at subsidiaries in which Capcom directors, etc. participate and "Subsidiary Management Regulations," etc. Also, we are aiming for rationalization of duties so that corporate governance functions, and we are promoting the maintenance of the overall

Group's compliance system with "Risk Management Regulations."

##### (6) System for Employees Who Help in the Duties of the Audit and Supervisory Committee, System Regarding the Independence of the Employees Concerned from the Director and System to Ensure Effectiveness of Direction Given to the Employees Concerned

The Audit and Supervisory Committee works so that the internal controls function effectively, auditing the execution of operations by directors and employees based on auditing policies and, as necessary, submitting items found in audits and making advice and suggestions for corrections, etc. Because of this, we have established an Internal Auditing Division directly under the control of the Audit and Supervisory Committee to enable the work of the Committee to be performed duties smoothly and appropriately. This Division has a full-time staff of 18 who help with execution of operations of the Audit and Supervisory Committee and the consent of the Audit and Supervisory Committee is obtained regarding the reassignment of members of this staff.

##### (7) System for Capcom Group Employees and Directors to Report to the Audit and Supervisory Committee, System for Other Reports to the Audit and Supervisory Committee, System to Prevent Unfavorable Treatment Due to Having Made a Report

When the Audit and Supervisory Committee request a Capcom employee or director for information regarding the execution of operations, that employee or director responds promptly and appropriately and also reports appropriately about the required items. Also, when an employee or director of Capcom or the Capcom Group makes a report to the Audit and Supervisory Committee, she/he is not treated unfavorably because of that report.

##### (8) Other Systems to Ensure that Audit and Supervisory Committee Audits are Carried out Effectively

Regarding the expenses incurred in the execution of operations by Directors who are Members of the Audit and Supervisory Committee, in addition to having established a budget of a given size, we bear the costs for applicable expenses when requested to pay ahead of time.

##### (9) Overview of Operational Status of the System to Ensure Appropriate Operations

In addition to the above systems, the Compliance Committee, which has an External Director as chairman, meets once a quarter and reports on inherent risks and the probability of actualization, etc. to the Board of Directors, working for early discovery and prevention of illegal activities and misconduct. Also, in order to deepen Directors' understanding of compliance, with e-learning and checking the effectiveness of use of periodic compliance check sheets, we are preventing insider trading and the leakage of information, ensuring information security, and thoroughly promulgating observance of laws and regulations. Additionally, with regards to Capcom Group companies, in addition to conveying Capcom's management policies

to management at subsidiaries, we are working to have the internal control system for the entire Capcom Group work effectively by continually monitoring the business status of subsidiaries by collecting information from Capcom's Directors who hold two posts concurrently and dispatched employees, etc.

## Initiatives to Strengthen Compliance

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

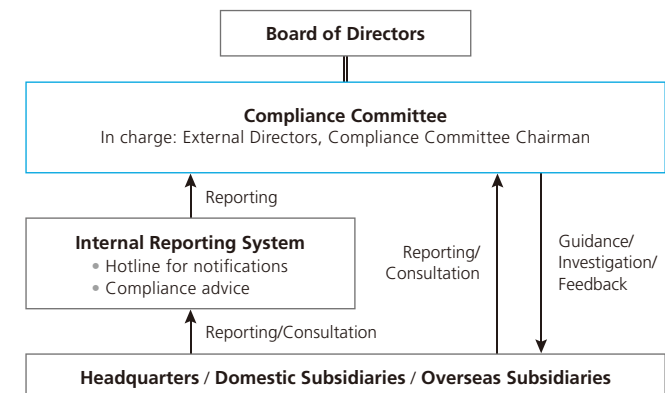
As noted on page 72, Capcom has established the Compliance Committee chaired by an external director who is qualified as a lawyer and consisting of directors and directors who serve as members of the Audit and Supervisory Committee to prevent any violation of laws and regulations. In addition, the Company is working to improve the effectiveness of compliance on a group-wide basis by measures to maintain the functionality of the department responsible for accepting the consultation requests and whistleblower reports such as announcing necessary matters through the Company's intranet.

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.

### Compliance Structure



### Status of Training Programs (Year ended March 31, 2016)

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

Capcom will continue to instill this understanding in all its officers and employees.

## 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.

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.