



GOVERNANCE

Key commentary by our external directors

Bolstering the human resources investment strategy and strengthening corporate governance for enhancing corporate value

The seven external directors (as of March 31, 2024) on Capcom's Board of Directors take the lead in proactively exchanging opinions and advice on our management policies, ensuring transparency and soundness. Capcom is striving to enhance medium- and long-term corporate value by strengthening its corporate governance functions. As part of this effort, we established the Nomination and Remuneration Committee at an early stage and expanded opportunities for external directors to participate in Board of Directors meetings by holding round table meetings where internal directors and external directors can exchange opinions in order to share information and deepen mutual understanding. This page introduces some of the comments shared by external directors at these meetings to foster understanding of our corporate governance initiatives.

COMMENTS



1 Regarding strategy for investment in human resources

In order to create the world's highest quality content and expand our user base around the world, we believe it is essential to invest in human capital. With this in mind, we are promoting a human resources investment strategy with people placed as a top priority of management. Since the fiscal year ended March 31, 2023, we have increased the average base salary of full-time employees by 30%, established a bonus system that is more performance-linked, introduced a stock-based compensation system, and announced a raise in the starting salary for new graduates. The following are major comments made at opinion-exchange meetings.

(1) Regarding the development of human resources

- Capcom has promoted the retention of highly talented human resources by increasing average annual salaries and taking other actions, which is a healthy direction. In light of recent trends, Capcom will need to continue fostering and strengthening core human resources as well as reviewing the compensation and benefits of young employees.
- Career development support is also important to prevent young employees from leaving the company.

We will continue to discuss ways to improve the environment so that employees can play an active role. This includes reviewing organizational forms and evaluation systems. The development of core human resources, including the promotion of younger employees, is also an issue. We will use opportunities for direct dialogue with employees as a motivator to create a system that will enable them to envision their future careers and expand support for their work styles (internal director).

- Although the human resource investment strategy requires time in order to bear fruit, there needs to be a sense of urgency because if measures are not taken early, the situation will become unmanageable.

With a shared understanding that maximizing human capital is necessary to enhance corporate value and achieve sustainable growth, business, development, and management are working in unison to rotate human resources and assign the right people to the right positions (internal director).

(2) Formulation of General Employer Action Plan

➔ For details see p.56

- Although there should be no distinction between men and women in terms of job categories, the reality is that the ratio of men and women varies from applicant pool to applicant pool, as seen in the general trend.
- Although Capcom increased the number of female directors at the General Meeting of Shareholders in 2024, investors and others will expect even greater diversity in the company's senior management ranks in the future. This requires the company to step up the training of female managers.

To further narrow the wage gap and to promote women to executive positions, we will clarify issues and examine measures to support career development. In addition, we will foster an environment in which our diverse workforce, including women, can play active roles with vigor and advance relevant initiatives (internal director).

- The rate of male employees taking childcare leave is also a focus of attention among applicants for employment. While Capcom's rate of male employees taking childcare leave is higher than the average, I would like to see the company continue to actively pursue this initiative from the viewpoint of securing talent.

In addition to promoting the use of childcare leave and making the existing system known to all employees, we will conduct awareness surveys through interviews and other means to strengthen outreach efforts (internal director).

2 Election of directors and revision of the remuneration system at the 2024 General Meeting of Shareholders

Based on the deliberations and reports of the Nomination and Remuneration Committee, at the 2024 General Meeting of Shareholders we obtained approval for our revised director compensation system and introduced a performance-linked stock compensation system, in addition to the election of 15 directors, including two female directors. Below are the main comments made at meetings of the Nomination and Remuneration Committee.

- Regarding the candidate for new director, amid growing expectations for securing female directors, the candidate can contribute to improving corporate value, as she has been active as an external director at other companies. She can also be expected to contribute to strengthening the functions of the Board of Directors through abundant experience in government organizations.

We will continue to discuss the composition of directors for sustainable growth (internal director).

- The remuneration system for directors is being revised to be better aligned with the perspective of shareholders, and the appropriateness of the system is important.
- Capcom should consider introducing a malus clawback provision, such as requiring the return of executive compensation in the event of financial results corrections or misconduct.

In reviewing the remuneration system, we actively held dialogue sessions with institutional investors and sought their opinions. Bonuses were designed to be more performance-linked and consistent with the Group's management goal of annual operating income growth of 10%, while stock-based compensation was designed to be aligned with the shareholder perspective, with consolidated net income and TSR* used as indicators. The introduction of a malus clawback provision will be positively considered (internal director). (The same provision has already been introduced in the subsequent revision of the compensation system.)

* Total Shareholder Return (TSR). The total investment return for shareholders, including capital gains and dividends.

- In addition to executive directors, it would be appropriate to review the remuneration of external directors and Audit Committee members from the viewpoint of compensation for their roles and responsibilities in monitoring and supervising management.
- These systems should be continuously verified even after revisions.

We will examine the details of the remuneration system annually. We will continue to examine the design of remuneration suitable for enhancing corporate value and strengthening corporate governance (internal director).