

Corporate Governance Report

Last Update: December 14, 2023
Capcom Co., Ltd.
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The corporate governance of Capcom (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

The Capcom Group (hereinafter referred to as the “Company” (including its subsidiaries and affiliates)) possesses as strengths:

- (i) The development and technological ability to produce the top quality contents (IPs) in the world
- (ii) A large number of popular intellectual properties loved throughout the world.

In order to realize steady growth over the mid- to long-term, and pursue the enhancement of corporate value, the Company formulates the “Capcom Corporate Governance Guidelines” as basic guidelines on corporate governance, and works to enhance its corporate governance system in a sustained manner.

«Basic views on corporate governance»

The Company endeavors based on its corporate philosophy to build “appropriate relationships with stakeholders” and works to continually enhance its corporate governance.

<Corporate philosophy>

To be a "Creator of entertainment culture that stimulates your senses" through entertainment in the form of games that move and excite people

<Initiatives to realize corporate philosophy>

- (i) Strengthen management related human resources and streamline the development of successors
- (ii) Ensure diversity in terms of gender, nationality and age, develop organizational system and improve functionality
- (iii) Build effective risk control system utilizing Board of Directors
- (iv) Enhance management transparency through timely and appropriate information disclosure and dialogue

This Corporate Governance Report, including Disclosure Based on the Principles of the Corporate Governance Code, is disclosed in English.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

The Company complies with each Principle of the Corporate Governance Code dated June 11, 2021, including the provisions for companies listed on the Prime Market, and has made disclosures in the “Capcom Corporate Governance Guidelines,” etc.

[Disclosure Based on the Principles of the Corporate Governance Code]

Principle 1-4 Cross-Shareholdings

Regarding strategic holdings of publicly listed shares, the Company eliminates habitual cross-holding, personal favoritisms, etc. By comprehensively taking into consideration the relevant advantages and disadvantages from medium- to long-term perspectives, including whether the shareholdings contribute to future business relationships and sustainable enhancement of corporate value, the Company keeps its strategic holdings to three securities as of the end of the fiscal year ended March 31, 2023, and the amount of its strategic holdings of such publicly listed shares accounted for less than 0.5% of its net assets.

The Company has decided to sell off these holdings at an appropriate time, having resolved the disposal of all such securities holdings and obtained the consent of each company.

As a result, the Company sold all shares in two of the three strategic holdings it held by the end of November 2023, and the strategic holdings held as of the end of November 2023 is only AEON MALL Co.Ltd. We will continue to sell these shares as appropriate.

The Company has posted its guidelines on strategic shareholdings in the “Capcom Corporate Governance Guidelines.”

Supplementary Principle 2.4.1 Ensuring Diversity in the Promotion of Core Human Resources

(1) To respond to changes in the business environment, the Company is investing in securing and developing diverse human resources through recruitment and evaluation, regardless of their gender, nationality, age, and so on.

As a result, the Company, as of March 31, 2023, has 29 female managers (11.6% of all managers), three managers of foreign nationality (1.2% of all managers), and 140 managers who are midcareer hires (56.0% of all managers). It should be noted that from the fiscal year ended March 31, 2023, the method of counting managers has been changed to that stipulated by the relevant laws and regulations.

(2) The specifics of the initiatives to ensure diversity, policies for human resources development, policies for internal environment development, and the status of their implementation are stated in the annual securities report (yuho) for the fiscal year ended March 31, 2023 and the latest integrated report. The annual securities report (yuho) and the latest integrated report may be viewed on the Company’s website (<https://www.capcom.co.jp/ir/english>).

Supplementary Principle 3.1.3 Sustainability Initiatives etc.

(1) Basic approach to sustainability

In accordance with its corporate philosophy, the Company supports the building of a richer society that makes smiles and moves hearts.

To this end, we are promoting ESG initiatives based on the goals of developing a sustainable society as set forth in the SDGs, and proactively working to resolve common environmental and social problems, to realize a world where everyone can enjoy games with peace of mind.

The Company also strives to cooperate with its stakeholders such as shareholders, customers, business partners, employees, and local communities, and endeavors to proactively disclose information and improve its transparency to achieve sustained growth.

<The Company’s Basic Policy on ESG>

(i) Environment (E)

The Company has been minimizing the negative impact of its businesses on climate change [e.g., CO2 and other greenhouse gas (GHG) emissions] by using renewable energy, and with respect to environmental pollution, use of resources, etc., it has been striving to reduce the consumption of resources by adopting LEDs in lighting and promoting the digitization of software made available for sale, and the Company will continue to promote these initiatives.

(ii) Society (S)

The Company will respect human rights, prohibit discrimination based on race, religion, gender, age, sexual orientation, disability, nationality, etc., and eliminate inequality, etc., by protecting the vulnerable in a thoroughgoing manner, create a pleasant working environment for employees, and push forward with securing and developing human resources. In addition, the Company will promote initiatives to build a healthy relationship with local communities and customers, such as engaging in activities to assist children suffering from poverty in the hope of their healthy growth and development.

(iii) Governance (G)

The Company has been enhancing management transparency and soundness, endeavoring to build a structure that is capable of adapting to changes in the environment and striving to boost its corporate value by enhancing its corporate governance functions, including utilizing a voluntary committee. Going forward, the Company will continue to push ahead with initiatives to meet the expectations of its stakeholders.

(2) Human capital

(i) The Company considers initiatives for human capital which is the source of corporate value creation as a priority issue.

The Company recognizes that in order to enhance its core competitiveness—i.e., development structure—to achieve its mid-term business goals, it is important to enhance its development workforce and improve productivity through investments in and utilization of human capital involved in R&D and content production. For this purpose, the Company has been promoting the recruitment of development personnel on a scale of more than 100 persons each year. As of March 31, 2023, the number of development personnel was 2,460 persons.

(ii) Additionally, to further promote the human resources investment strategy, the Company is raising employee engagement and improving corporate value by undertaking the following measures.

a. Responses by the management to human resources issues

- Continue direct dialogues between the management and employees through the exchanges of opinions such as various briefings

b. Securing and developing human resources who will support our future and further improvement of the working environment

- Develop a corporate climate that respects human rights
 - Overhaul the personnel evaluation system
 - Rebuild recruitment strategies
 - Enhance the health and welfare benefit plans and adopt the same-sex partnership system as necessary
- c. Enhance the office environment and development facilities that support the development structure
- Improve the Development Office by expanding the business offices
 - Establish a new “Creative Studio” equipped with one of the country’s largest motion capture studios

(3) Intellectual property

The Company’s strengths lie in its development and technological ability to continuously produce the world’s top-quality content (IPs) and its possession of a large number of popular intellectual properties loved throughout the world.

In addition to utilizing these intellectual properties and creating popular and unique IPs through business activities, we are expanding our business by deploying the Single Content Multiple Usage strategy in a wide range of fields.

Going forward, the Company believes that investments to continuously create IPs and the global expansion and penetration of brand recognition are essential for the sustained and stable growth of the Company and the achievement of the mid-term business goal of “increasing operating income by 10% each fiscal year.”

Furthermore, the Company is striving to enhance corporate value through the utilization and appropriate management and protection of intellectual properties.

(4) The specifics of the Company’s initiatives on sustainability regarding the promotion of its management strategies, including strategies, indicators, and goals for human capital and intellectual property are stated in the annual securities report (yuho) for the fiscal year ended March 31, 2023 and the latest integrated report. The annual securities report (yuho) and the latest integrated report may be viewed on the Company’s website (<https://www.capcom.co.jp/ir/english>).

(5) Initiatives related to climate change

The Digital Contents Business, which accounts for approximately 80% of the Company’s consolidated net sales, primarily entails the development and sale of software, and the Company’s environmental impact and climate-related risks are thought to be less than the general manufacturing industry. Therefore, the Company has assessed that the impact of environment and climate change-related risks and earning opportunities on its business activities and profits is small.

However, recognizing that responding to environmental and climate change is an issue that requires the cooperation of every person living on this earth, the Company shall also advance initiatives under its corporate philosophy.

The Company's CO2 emission due to electricity usage is 90% of the impact on climate change by the Company's business activities. The Company has been trying to decrease CO2 emission utilizing renewable energy at its offices and buildings.

(i) Climate change-related governance and risk management

a. The Corporate Management Council (chaired by the Chairman and Chief Executive Officer (CEO)) deliberates and decides policies and measures based on the recognition of climate change-related risks and opportunities.

b. Based on these policies, the relevant divisions, led by a representative director(s) or Director(s)/corporate officer(s) who has been instructed by the representative director, promote the initiatives and report to the representative director or the Corporate Management Council.

c. The Board of Directors receives reports from the representative director or the Corporate Management Council and oversees the important matters concerning climate change.

(ii) Strategies

a. Risks and opportunities

(a) Risks

- Increase in business costs due to the introduction of the carbon tax
- Rise in the production and procurement costs and raw material prices due to restrictions on carbon and the use of plastics
- Disruption of business continuity and impact on the workstyles, health, and everyday lives of employees due to increasingly extreme weather as a result of natural disasters and advancing global warming

(b). Opportunities

- Reduction of the use of plastics and transport costs through the promotion of digital sales of content
- Reduction of the carbon tax through the use of renewable energy
- Reduction of cost through the recycling of certain parts of amusement equipment
- Encouraging further digitalization through changes in consumer tastes

b. Responding to risks and opportunities

To respond to the above risks and opportunities, the Company has been promoting digital sales of content ahead of other companies and striving to conserve resources and reduce CO2 emissions associated with the manufacture and transport of disks, while also making efforts to reduce the environmental impact in the manufacture and sales of pachislo machines by making machines that control power usage and recycling some parts.

As part of its environmental measures, from June 2022, the Company has adopted CO2-free electricity sourced from renewable energy at the buildings it owns in the Kansai area. As a result, approximately 27% of electricity used in Japan was sourced from renewable energy. Furthermore, the Company promotes initiatives including the use of renewable energy and energy-saving measures at our own data centers and the use of major cloud service companies and major data center service companies that are promoting the use of renewable energy. In addition, the Company is making further efforts to reduce the environmental impacts such as the introduction of green power at its Tokyo Branch since April 2023.

(iii) Metrics and targets

The Company has selected CO2 emissions as its assessment indicator for climate change and will aim for virtually zero emissions at its own buildings etc. in 2050.

The specifics of the Company's initiatives on climate change are stated in the CAPCOM Integrated Report 2023. The latest integrated report may be viewed on the Company's website (<https://www.capcom.co.jp/ir/english>).

▪ Capcom's CO2 emissions (non-consolidated) [Unit: t-CO2]

Fiscal year ended March 31, 2019: 14,152

Fiscal year ended March 31, 2020: 13,004

Fiscal year ended March 31, 2021: 11,779

Fiscal year ended March 31, 2022: 12,628

Fiscal year ended March 31, 2023: 13,495

Supplementary Principle 4.11.1 Preconditions for Board and *Kansayaku* Board Effectiveness

- (1) Each of executive directors, external directors, and directors who serve as members of the Audit and Supervisory Committee fulfills his/her own roles and responsibilities by, for example, making necessary statements as appropriate based on his/her extensive experience, expertise, and insight in such broad fields as corporate management, risk management, health management, legal, accounting/tax, and civil service administration, thereby striving to optimize the Board of Directors as a whole.
- (2) The skills matrix of Members of the Board of Directors is included in the Notice of Convocation of the Ordinary General Meeting of Shareholders (<https://www.capcom.co.jp/ir/english/stock/meeting.html>).

Supplementary Principle 4.11.2 Preconditions for Board and *Kansayaku* Board Effectiveness

- (1) The concurrent positions held by directors fall within the reasonable range including positions at the Company's subsidiaries, and directors are executing their duties as directors of the Company appropriately.
- (2) The status of concurrent positions held by directors is disclosed every year in the Notice of Convocation of the Ordinary General Meeting of Shareholders (<https://www.capcom.co.jp/ir/english/stock/meeting.html>) and the annual securities report (yuho) etc.

Supplementary Principle 4.11.3 Preconditions for Board and *Kansayaku* Board Effectiveness

In addition, to further strengthen the functions of the Board of Directors, based on the evaluation of its effectiveness, in the fiscal year ended March 31, 2023, we worked on onsite inspections and the provision of information through exchanges of opinions with the corporate officers for the external directors, as well as offering support through the establishment of a dedicated department for the Board of Directors.

In terms of the effectiveness of the Board of Directors, we have received mostly positive evaluations.

In the fiscal year ending March 31, 2024, the Company shall work on the following issues in order to further enhance the effectiveness of the management supervisory functions.

[Main issues]

- Further improvement of the provision of information through such means as the exchange of opinions with the external directors
- Discussions on the nomination and remuneration of directors and management to build a next-generation management structure
- Discussions that contribute to the medium- to long-term enhancement of corporate value

We will continue to facilitate the sharing and understanding of various issues at the meetings of the Board of Directors of the Company and strive to further improve its functions.

Principle 5.1 Policy for Constructive Dialogue with Shareholders

(1) The policy on constructive dialogue with shareholders is stated in the “Capcom Corporate Governance Guidelines,” etc.

(2) Implementation status, etc. of dialogue with shareholders

(i) Dialogue with individual shareholders

a. At the Ordinary General Meeting of Shareholders, in addition to the question-and-answer session at the meeting venue, we adopted the hybrid participation-type virtual general meeting of shareholders, in which questions in advance and comments on the day of the meeting are accepted and answers are given at the meeting venue and on the Company’s website, in an attempt to proactively promote dialogue.

b. We hold online briefing sessions targeting individual investors once a year to explain the Company’s mid- to long-term management vision, business strategies, and outline of the business performance.

(ii) Dialogue with institutional investors

a. In the fiscal year ended March 31, 2023, the Company conducted a total of 19 engagements mainly with persons in charge of exercising voting rights in Japan of institutional investors both in Japan and overseas.

b. The engagements were held by the Directors who were the Chief Human Officer (CHO) and/or the Chief Financial Officer (CFO) and the staff of the dedicated department of the Board of Directors to facilitate an understanding of the Company’s management strategies as well as conduct dialogue mainly on the human resources investment strategies and the agenda of the General Meeting of Shareholders. Additionally, to reflect the requests, opinions, questions, etc., gleaned from the dialogue in management, they are reported at an appropriate time to the Chairman and Chief Executive Officer (CEO), the President and Chief Operating Officer (COO), and relevant parties, as well as to the Board of Directors and other meetings, as necessary.

c. Additionally, in order to build a good relationship of trust with the shareholders, dialogue is proactively held in terms of Investor Relations (IR) to promote understanding and share perspectives, etc., and in the

fiscal year ended March 31, 2023, a total of 607 IR engagements were held with institutional investors both in Japan and overseas.

Principle 5.2 Establishing and Disclosing Business Strategies and Business Plans

(1) The Company's business strategies, etc. are stated in the financial results presentations, integrated reports, Notice of Convocation of the Ordinary General Meeting of Shareholders, etc. (<https://www.capcom.co.jp/ir/english/stock/meeting.html>)

(2) Measures to realize management based on an awareness of capital costs and stock prices

The Company emphasizes the ROE rather than the ROIC, given our high shareholders' equity ratio and low level of borrowings, and as of March 31, 2023, our ROE at 23.9% exceeded the cost of shareholders' equity at 5.7% (calculated by the Company estimation on the CAPM).

Going forward we will continue to aim for the achievement of the mid-term business goal of increasing operating income by 10% each fiscal year and raise our stock price by maintaining and improving these indicators.

The Company complies with each Principle of the Corporate Governance Code dated June 11, 2021, including all the provisions for companies listed on the Prime Market, and has made disclosures in the "Capcom Corporate Governance Guidelines," etc.

Principle 1.7 Related Party Transactions

Principle 2.6 Roles of Corporate Pension Funds as Asset Owners

Principle 3.1 Full Disclosure

Supplementary Principle 4.1.1 Roles and Responsibilities of the Board (1)

Principle 4.9 Independence Standards and Qualification for Independent Directors

Supplementary Principle 4.10.1 Nomination Committee, Remuneration Committee

Supplementary Principle 4.14.2 Director and *Kansayaku* Training

2. Capital Structure

Foreign Shareholding Ratio	More than 30%
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[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	31,098,700	14.59
Crossroad Co., Ltd.	21,867,200	10.26
JP Morgan Chase Bank 380815	17,594,400	8.26
Custody Bank of Japan, Ltd. (Trust Account)	11,314,000	5.31
Yoshiyuki Tsujimoto	7,963,800	3.74
Haruhiro Tsujimoto	6,026,200	2.83
Ryozo Tsujimoto	5,968,800	2.80
Kenzo Tsujimoto	4,039,760	1.90
The Master Trust Bank of Japan, Ltd. (Stock Grant ESOP Trust Account 76744)	3,994,802	1.87
STATE STREET BANK WEST CLIENT – TREATY 505234	3,430,600	1.61

Controlling Shareholder (except for Parent Company)	—
Parent Company	None

Supplementary Explanation

Please note that "Number of Shares Owned" in the table above is as of September 30, 2023. The Company excludes its treasury stock of 53,394,140 shares from the major shareholders above.

On March 19, 2021, Invesco Advisers, Inc. and one other group company submitted a Change Report pertaining to a Large Shareholding Report available for public inspection stating it held the following number of shares of the Company as of March 15, 2021. However, the Company is not able to identify the precise number of beneficial holdings by the group as of the end of September, 2023, and therefore, they are not included in the above list titled Status of Major Shareholders. The figures on the Large Shareholding Report are as follows. Further, with an effective date of April 1, 2021, Capcom performed a 2-for-1 split of its common stock. The number of shares held below represents the number of shares held prior to the stock split.

【Invesco Advisers, Inc. and one other】

Invesco Advisers, Inc. holds 5,253 thousand shares. Ratio of Shareholding 3.88 %

Invesco Asset Management Limited holds - thousand shares. Ratio of Shareholding - %

On June 23, 2023, Public Investment Fund submitted a Change Report pertaining to a Large Shareholding Report available for public inspection stating it held the following number of shares of the Company as of September 26, 2022. However, the Company is not able to identify the precise number of beneficial holdings by the group as of the end of September 2023, and therefore, they are not included in the above list titled Status of Major Shareholders. The figures on the Large Shareholding Report are as follows:

【Public Investment Fund】

Public Investment Fund holds 17,594 thousand shares. Ratio of Shareholding 6.60%

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange Prime
Fiscal Year-End	March
Type of Business	Information & Communication
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1,000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances which may have Material Impact on Corporate Governance

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II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with the Audit and Supervisory Committee
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	17
Term of Office Stipulated in Articles of Incorporation	one year
Chairperson of the Board	Company Chairperson (except when concurrently serving as President)
Number of Directors	15
Appointment of Outside Directors	yes
Number of Outside Directors	7
Number of Independent Directors	7

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		A	b	C	d	e	f	g	h	i	j	k	
Toru Muranaka	Lawyer								○				
Yutaka Mizukoshi	From another company												
Wataru Kotani	Other												
Toshiro Muto	Other												
Yumi Hirose	Tax Accountant												
Yoshihiko Iwasaki	Other												
Makoto Matsuo	Lawyer								○				

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/*kansayaku*

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

Outside Directors' Relationship with the Company (2)

Name	Membership of the Audit and Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Toru Muranaka	—	○	He is a member of Legal Professional Corporation (LPC) Dai-Ichi Law Office, with which the Company has entered into legal counsel agreement. Since the total amount involved in transactions between the two parties on an annual basis accounts for less than one (1) % of consolidated net sales of either party and less than ¥10 million, the Company made judgment that such agreement does not affect the independence of External Director as he meets the criteria laid down by the Company.	The Company appointed him as External Director given that, although he has never participated in the management of companies other than by serving as External Director and External Corporate Auditor, he is a lawyer specializing in such fields as the Companies Act and the Financial Instruments and Exchange Act with a high level of expertise as well as broad insight and knowledge, and he has been giving recommendations and counsel on such matters as legitimacy and validity from an expert's perspective, and is expected to contribute to the enhancement of audit and supervision of the Board of Directors from legal and other viewpoints. He is clear on the independence checks defined by the Tokyo Stock Exchange, Inc. Accordingly, the Company determines that he is unlikely to have a conflict of interest with general shareholders, and files him as an independent director to the Tokyo Stock Exchange, Inc.
Yutaka Mizukoshi	—	○	—	The Company appointed him as External Director given that he has expertise in management analysis, formulation of management strategy, etc. stemming from many years of experience in and knowledge of the consultancy business and has proactively been giving his opinions and making proposals from an independent standpoint based on his deep insight into economic trends and his international sensibility, and is thus expected to contribute to the enhancement of audit and

				supervision of the Board of Directors from an outsider's perspective. He is clear on the independence checks defined by the Tokyo Stock Exchange, Inc. Accordingly, the Company determines that he is unlikely to have a conflict of interest with general shareholders, and files him as an independent director to the Tokyo Stock Exchange, Inc.
Wataru Kotani	—	○	—	The Company appointed him as External Director given that, although he has never participated in company management other than as External Director, he has engaged in police administration for many years and has a broad range of expertise and extensive experience in the fields of IT security and law in general, and has provided the management of the Company with recommendations and advice from an impartial and objective perspective, and therefore he is expected to contribute to stronger audit and supervision of the Board of Directors with a view to ensuring proper risk management and legal compliance. He is clear on the independence checks defined by the Tokyo Stock Exchange, Inc. Accordingly, the Company determines that he is unlikely to have a conflict of interest with general shareholders, and files him as an independent director to the Tokyo Stock Exchange, Inc.
Toshiro Muto	—	○	—	The Company appointed him as External Director, given that, although he has never participated in company management except as External Director and External Corporate Auditor, he has been taking a wide view on management issues with objective advice and suggestion, as he possesses

				high insight into finance and the economy in general and in corporate governance developed at the Ministry of Finance, the Bank of Japan and business corporations, and therefore he is expected to contribute to stronger audit and supervision of the Board of Directors from an impartial and objective perspective. He is clear on the independence checks defined by the Tokyo Stock Exchange, Inc. Accordingly, the Company determines that he is unlikely to have a conflict of interest with general shareholders, and files him as an independent director to the Tokyo Stock Exchange, Inc.
Yumi Hirose	—	○	—	The Company appointed her as External Director given that, although she has never participated in company management other than as External Director, she has been providing proactive comments and recommendations from an outside perspective, as she has specialist expertise as a certified tax accountant and abundant experience for many years in tax administration, and in addition possesses a high level of knowledge of finance and accounting and a great deal of insight into health management, and therefore she is expected to contribute to stronger audit and supervision of the Board of Directors and deeper human resources strategy based on her experience and knowledge. She is clear on the independence checks defined by the Tokyo Stock Exchange, Inc. Accordingly, the Company determines that she is unlikely to have a conflict of interest with general shareholders, and files her as an independent director to the Tokyo Stock Exchange, Inc.

Yoshihiko Iwasaki	○	○	—	The Company appointed him as External Director and a member of the Audit and Supervisory Committee given that, although he has never participated in the management of companies other than by serving as External Director and External Corporate Auditor, he has financial and accounting knowledge in addition to expertise and a wealth of experience in tax administration, and is thus expected to contribute to the enhancement of audit and supervision of the Board of Directors in the light of his expertise with giving counsel, advice, etc. from an outsider's perspective. He is clear on the independence checks defined by the Tokyo Stock Exchange, Inc. Accordingly, the Company determines that he is unlikely to have a conflict of interest with general shareholders, and files him as an independent director to the Tokyo Stock Exchange, Inc.
Makoto Matsuo	○	○	He is a partner lawyer of Momoo Matsuo & Nanba with which the Company has entered into legal counsel agreement. Since the total amount involved in transactions between the two parties on an annual basis accounts for less than one (1) % of consolidated net sales of either party and less than ¥10 million, the Company made judgment that such agreement does not affect the independence of External Director as he meets the	The Company appointed him as External Director and a member of the Audit and Supervisory Committee, although he has never participated in the management of companies other than by serving as External Director and External Corporate Auditor, since he actively engages in the legal community based on a high level of professional knowledge and a wide range of insight as a lawyer, is acquainted with the business world through abundant experience accumulated through his career as external officer of numerous listed companies, and delivers guidance and advice from legal and other viewpoints at the Board of Directors and the like. He is expected to contribute to the enhancement of audit and supervision of the Board of

			criteria laid down by the Company.	Directors with his professional legal knowledge. He is clear on the independence checks defined by the Tokyo Stock Exchange, Inc. Accordingly, the Company determines that he is unlikely to have a conflict of interest with general shareholders, and files him as an independent director to the Tokyo Stock Exchange, Inc.
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[The Audit and Supervisory Committee]

Committee's Composition and Attributes of Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
The Audit and Supervisory Committee	3	2	1	2	External (Outside) Director

Appointment of Directors and/or Staff to Support the Audit and Supervisory Committee	Appointed
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Matters Related to the Independence of Such Directors and/or Staff from Executive Directors

The Audit and Supervisory Committee aims to ensure the effective functioning of internal control through the auditing of business execution by directors and employees in accordance with the audit policies, as well as by submitting audit findings and giving recommendations for correction and advice thereof as necessary. Accordingly, in order to enable the Audit and Supervisory Committee to perform its duties in a smooth and appropriate manner, the Audit and Supervisory Committee directly supervises the Internal Audit Division, etc., as organizations where fourteen dedicated staff members are in charge of performing tasks as assistants under the instructions of the Committee, and the Company ensures the consent from the Audit and Supervisory Committee is obtained regarding the personnel relocation of such staff members.

Cooperation among the Audit and Supervisory Committee, Accounting Auditors and Internal Audit Departments

The Audit and Supervisory Committee primarily serves to monitor management from the perspective of operational audit. Accounting auditors perform audits from an accounting standpoint. The Audit and Supervisory Committee and accounting auditors consult one another as necessary, and exchange opinions and information, to enhance and improve both audits through interaction and cooperation. The Audit and Supervisory Committee and accounting auditors shall discuss issues on audit and exchange information whenever necessary. Especially the Audit and Supervisory Committee is being explained by Accounting auditors about the reasons for and recognition of the determination of KAM (Key Audit Matters) to the Committee and exchange their views. Auditing by both the Committee and accounting auditors shall be solid and improved through such collaboration and coordination.

Furthermore, the Company has established the Internal Audit Division, etc., as the internal audit department supporting the Audit and Supervisory Committee, which monitors all divisions regularly, perform information gathering and analysis regarding legality, validity, efficiency, etc., including group companies, and report audit results to the Audit and Supervisory Committee. Such audit results are reported to the Board of Directors by

the Audit and Supervisory Committee. In addition, if an unforeseen event occurs, the Division quickly investigates and analyzes the causal relationship and reports to the Audit and Supervisory Committee, and then the Committee makes advices and recommendations to the Board of Directors in order to help the adequate managerial judgment. In so doing, we are striving to minimize losses of the Company.

[Voluntary Establishment of Nomination/Remuneration Committee]

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination and Remuneration Committee	Nomination and Remuneration Committee
All Committee Members	7	7
Full-time Members	0	0
Internal Directors	3	3
External Directors	4	4
Outside Experts	0	0
Other	0	0
Chairperson	External (Outside) Director	External (Outside) Director

Supplementary Explanation

(i) The Nomination and Remuneration Committee (voluntary) (Chairman of which is an External Director) consists of the following seven directors (i.e., three internal directors and four external directors), including a majority of external directors. Each member of the Nomination and Remuneration Committee has been selected by the Board of Directors in consideration of his knowledge, insight, experience, etc. No secretariat has been established for the Nomination and Remuneration Committee.

Yoshihiko Iwasaki (Chairman of the Committee, Full-time Audit and Supervisory Committee Member, External Director)
Satoshi Miyazaki (Internal Director)
Kenkichi Nomura (Internal Director)
Yutaka Mizukoshi (External Director)
Wataru Kotani (External Director)
Kazushi Hirao (Full-time Audit and Supervisory Committee Member, Internal Director)
Makoto Matsuo (Audit and Supervisory Committee Member, External Director)

(ii) The Committee held four meetings in the fiscal year ended March 31, 2023; as for the attendance status of directors who serve as members of the Committee, Yoshihiko Iwasaki, Yutaka Mizukoshi, Kazushi Hirao and Makoto Matsuo attended all four meetings. Kenkichi Nomura attended two out of four meetings. Satoshi Miyazaki and Wataru Kotani attended all three meetings after being elected to be the member of the Committee at the meeting of Board of Directors after re-election at the General Meeting of Shareholders in June 2022.

(iii) In response to the Board of Directors' request for advice on the nomination or remuneration of directors, etc., the Nomination and Remuneration Committee gives advice to the Board of Directors after holding deliberations.

- (iv) The following are the principal matters considered when advice is sought.
- a. Nomination-related matters subject to consideration
 - (a) Policy for selecting candidates for directors to be proposed at the general meeting of shareholders
 - (b) Selection of candidates for directors to be proposed at the general meeting of shareholders
 - (c) Selection of corporate officers (Shikko Yakuin)
 - (d) Selection of corporate officers (Shikko Yakuin) with special titles
 - (e) Plan for successor
 - (f) Other matters related to the above items
 - b. Remuneration-related matters subject to consideration
 - (a) Policy for directors' remuneration, etc.
 - (b) Fixed remuneration and performance-linked remuneration
 - (c) Performance evaluation related to individual remuneration
 - (d) Performance evaluation related to bonus
 - (e) Other matters related to the above items

[Independent Directors]

Number of Independent Directors	7
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Matters relating to Independent Directors

The Company's seven external directors all meet requirements of independence, and therefore, all of them are designated and filed as independent director.

The Company has also established the Criteria of Independence of External Directors of the Company. The Criteria are stated under "Section 4: Organization Structure, 4. Directors / directors who serve as members of the Audit Supervisory Committee, (3) Independent external directors" of the "Capcom Corporate Governance Guidelines."

[Incentives]

Incentive Policies for Directors	Implementation of performance-linked remuneration
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Supplementary Explanation

Please see "Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods."

Recipients of Stock Options	—
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Supplementary Explanation

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[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
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Supplementary Explanation

The remuneration paid to directors of the Company for the fiscal year ended March 31, 2023 was as follows:	
Remuneration paid to directors (excluding members of the Audit and Supervisory Committee)	856 million yen for 12 persons (568 million yen as basic remuneration and 288 million yen as performance-linked remuneration) including 54 million yen for 5 external directors (54 million yen as basic remuneration)
Remuneration paid to directors who serve as members of the Audit and Supervisory Committee	54 million yen for 3 persons (54 million yen as basic remuneration) including 32 million yen for 2 external directors (32 million yen as basic remuneration)

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The policy for determining the remuneration, etc., of directors on an individual basis is as follows: (1) Policy for determining the remuneration, etc., of directors other than directors who serve as members of the Audit and Supervisory Committee For the purpose of ensuring its transparency and fairness, the remuneration, etc., of the Company's directors (excluding directors who serve as members of the Audit and Supervisory Committee) is determined by the Board of Directors based on the deliberation held and advice given according to the policy below by the Nomination and Remuneration Committee (comprising a majority of external directors and chaired by an external director) in response to the Board of Directors' request to the Nomination and Remuneration Committee for advice. (i) Base remuneration for directors other than directors who serve as members of the Audit and Supervisory Committee i. Monthly remuneration shall be fixed in amount, i.e., fixed remuneration. ii. Remuneration shall be in the amount deemed reasonable after taking into consideration each director's position, his/her job responsibilities, how long he/she has been in office, whether he/she is an executive director or non-executive director and other such factors and evaluating his/her performance as an individual. (ii) Performance-linked remuneration, etc., for directors (excluding external directors and members of the Audit and Supervisory Committee) i. Performance-linked remuneration is based on short-term performance-linked remuneration in the form of bonus payment in cash for a single fiscal year. ii. Performance-linked remuneration is evaluated and calculated according to the following criteria based on the Company Group's management goal of "stable profit growth." a) Net profit attributable to the parent in the black on a single fiscal year basis b) Year-on-year increase in consolidated operating income c) Multi-year consecutive increase in consolidated operating income d) Evaluation of operations that the relevant director is in charge of iii. The percentage of remuneration, etc., for directors (excluding external directors and directors who serve as members of the Audit and Supervisory Committee) is set based on the above items, within the limit of the bonus payment for a single fiscal year which is capped at 50% of the annual base remuneration amount, in addition to monthly remuneration (i.e., base remuneration). (2) Policy for determining the remuneration, etc., of 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 the Company's earnings, but is fixed in amount from the perspective of securing their independence and thus determined through discussions, taking full-time/part-time status and other such factors into account, among the directors who serve as members of the Audit and Supervisory Committee.	
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[Supporting System for Outside Directors]

The staff members of the Executive Secretariat Office provide assistance to external directors excluding directors who serve as members of the Audit and Supervisory Committee, as do the dedicated staff members of the Internal Audit Division, etc., to external directors who serve as members of the Audit and Supervisory Committee.

Additionally, in the fiscal year ended March 31, 2023, we worked on strengthening the support system by such means as conducting onsite inspections for external directors and the provision of information through exchanges of opinions with the corporate officers, as well as the establishment of a dedicated department for the Board of Directors.

For other support systems, please see “Capcom Corporate Governance Guidelines, Section 4 Organizational Structure, 7. Support Structure.”

[Retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)]

Information on retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)

Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/without compensation, etc.)	Date when former role as president/ CEO ended	Term
—	—	—	—	—	—

Number of retired presidents/CEOs holding
advisory positions (sodanyaku, komon, etc.)

0

Others

The Company has open position for advisory functions. No ex-President and ex-Representative Director is assigned.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

(1) Measures, etc. to enhance business execution, audit function, etc.

(i) The Company is a company with an audit and supervisory committee. Accordingly, members of its audit organization—i.e., the Audit and Supervisory Committee—have voting rights for resolutions at the Board of Directors' meetings.

(ii) In the audits of the Audit and Supervisory Committee, *audit of business validation* is added on top of *audit of legality*, enabling broad supervision of management in general and thus further enhancing the supervision function.

(iii) At the Company, which partially delegates the authority for making major operational decisions to the representative director(s), etc., productive deliberations have been sought and the frequency of the Board of Directors' meetings has been reduced by narrowing down the matters to be discussed at the Board of Directors' meetings to highly important agendas.

(iv) This has resulted in higher efficiency of business execution through prompt decision-making for execution of business and agile business development.

(2) Status of activities in business execution and audit/supervision process

(i) The Company has adopted the “Shikko Yakuin” (corporate officer) system, and strives to improve its management efficiency by the clarification of the roles and responsibilities of directors who concentrate on supervision and monitoring of the Company and those of corporate officers who concentrate on business

execution, combined with the prompt execution of business by corporate officers based on executive directors' instructions regarding important matters, etc. decided by the Board of Directors.

(ii) The status of principal activities is as follows:

a. Board of Directors

(a) The Board of Directors is chaired by the Chairman and Representative Director and consists of 15 directors, of whom seven are external directors. The Corporate Planning Department serves as the secretariat for the Board of Directors, and four persons are in charge of its secretariat duties.

(b) In the fiscal year ended March 31, 2023, the Board of Directors held 10 meetings. In regard to attendance during the fiscal year ended March 31, 2023, Kenzo Tsujimoto, Haruhiro Tsujimoto, Satoshi Miyazaki, Yoichi Egawa, Kenkichi Nomura, Toru Muranaka, Yutaka Mizukoshi, Wataru Kotani, Kazushi Hirao, Yoshihiko Iwasaki and Makoto Matsuo each attended 10 out of 10 meetings. Yoshinori Ishida, Ryoza Tsujimoto, Toshiro Muto and Yumi Hirose attended 8 out of the 8 meetings held after they took office following the annual general shareholder meeting held in June 2022.

(c) In addition to important matters prescribed by laws and regulations and the Board of Directors Rules, the Board of Directors deliberates growth strategies among others based on the Company's management policy, and strives to enhance the supervision function through external directors' suggestions, proposals, forthcoming comments, etc.

b. Audit and Supervisory Committee

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

(b) In principle, the Audit and Supervisory Committee holds a meeting before the time at which the Board of Directors' meeting is convened and held 10 meetings in the fiscal year ended March 31, 2023. Each director who serves as a member of the Audit and Supervisory Committee attended all the meetings held.

(c) The Audit and Supervisory Committee deliberates important matters, etc. prescribed by the Audit and Supervisory Committee Rules, and makes efforts to enhance audit and supervision.

(d) Members of the Audit and Supervisory Committee selected by the Audit and Supervisory Committee conduct field audits in person, and in order to improve the effectiveness of audits, conduct organized audits in a flexible manner including giving instructions as appropriate to the Internal Audit Division, etc., which is under the direct control of the Audit and Supervisory Committee.

(e) The Internal Audit Division, etc. consist of 14 employees.

(f) The Internal Audit Division, etc. make a report to the Audit and Supervisory Committee on the status of audits, improvements, and deficiencies/recommendations pointed out and make other such efforts for the effective functioning of audits.

(g) The Audit and Supervisory Committee discusses management risks and other issues getting audit results from Audit and Supervisory Member(s) and Internal Audit Division, etc. to strengthen corporate governance from the viewpoints of compliance and validity.

c. Compliance Committee

(a) The Compliance Committee is chaired by an external director who is qualified as a lawyer and consists of 14 directors, half (seven) of whom are external directors. The Internal Audit Division serves as the secretariat for the Compliance Committee, and three persons are in charge of its secretariat duties.

(b) In principle, the Compliance Committee holds a meeting quarterly and held four meetings in the fiscal year ended March 31, 2023. Its main activities are to analyze and evaluate compliance-related risks, understand inherent risks, and make reports on probabilities, etc. of exposure of such risks to the Board of Directors, as necessary. In this manner, the Committee makes recommendations and advices

d. Corporate Management Council

(a) The Corporate Management Council is chaired by the Chairman and Representative Director and consists of eight internal directors. The Corporate Planning Department serves as the secretariat for the Corporate Management Council, and two persons are in charge of its secretariat duties.

(b) In principle, the Corporate Management Council not only holds a meeting several days before the Board of Directors' meeting but also holds a meeting whenever necessary. In the fiscal year ended March 31, 2023, the Corporate Management Council held 15 meetings. Meetings are convened for the purpose of preliminary deliberation of matters to be discussed at the Board of Directors' meetings and discussion of cases regarding other matters, etc.

e. Human Resources Committee

(a) The Human Resources Committee is chaired by the Chairman and Representative Director and consists of eight internal directors, the corporate officer in charge of the HR Divisions, and the corporate officer in charge of the Planning and Strategy Divisions. The Corporate Planning Department serves as the secretariat for the Human Resources Committee, and one person is in charge of its secretariat duties.

(b) In principle, the Human Resources Committee not only holds a meeting several days before the Board of Directors' meeting but also holds a meeting whenever necessary. In the fiscal year ended March 31, 2023, the Human Resources Committee held 13 meetings. Meetings are convened for the purpose of preliminary deliberation of HR-related matters to be discussed at the Board of Directors' meetings, human resources investment strategies, and discussion of cases regarding other matters, etc..

f. Board of Corporate Officers (Shikko Yakuin)

(a) The Board of Corporate Officers is chaired by the President and Representative Director and consists of 15 corporate officers (of whom six concurrently serve as directors). The Corporate Planning Department serves as the secretariat of the Board of Corporate Officers, and two persons are in charge of its secretariat duties.

(b) In principle, the Board of Corporate Officers holds a meeting on a monthly basis; 12 meetings were held in the fiscal year ended March 31, 2023. At the Board of Corporate Officers' meetings, each corporate officer reports the status of business execution, share information with each other and exchange opinions on matters regarding cases, issues to be tackled, etc.

g. Internal Audit Division, etc.

The Company has established the Internal Audit Division, etc. to conduct effective audits. The Internal Audit Division, etc. consist of 14 employees and determine such matters as the audit policy, audit plan, audit method, and job assignment after the conclusion of the General Meeting of Shareholders. The main activities of the Internal Audit Division, etc. are to perform verification, evaluation, etc. of the status of business execution of the employees and the effectiveness and operating status of the internal control system, make a report to the Audit and Supervisory Committee, and as necessary, conduct field audits of offices, domestic and overseas subsidiaries, etc. by accompanying the selected members of the Audit and Supervisory Committee.

(3) Outline of liability limitation agreement

The Company has entered into a liability limitation agreement that limits the liability for damages referred to in Article 423, paragraph (1) of the Companies Act pursuant to the provision of Article 427, paragraph (1) of said Act with all five external directors who do not serve as members of the Audit and Supervisory Committee as well as all three directors who serve as members of the Audit and Supervisory Committee.

Under such agreement, the amount of liability for damages is limited to the minimum liability amount prescribed by laws and regulations.

(4) Outline of indemnity agreement

The Company has entered into an indemnity agreement prescribed in Article 430-2, paragraph (1) of the Companies Act on an individual basis with all the Directors (15), under which the Company indemnifies them against costs referred to in item (i) and losses referred to in item (ii) of said paragraph to the extent prescribed by laws and regulations; provided, however, that indemnification is conditional, e.g., in cases where a director is found to have executed his/her duties for the purpose of unjustly benefiting him/herself or a third party or inflicting a loss to the Company, the director shall be required to reimburse the costs, etc., from which he/she has been indemnified.

(5) Outline of directors and officers liability insurance contract

The Company has entered into a directors and officers liability insurance contract with an insurance company, as prescribed in Article 430-3, paragraph (1) of the Companies Act, which covers litigation expenses and compensation for damages, etc., associated with claims for damages filed against the insured during the period of insurance with respect to the execution of duties by the insured.

However, there are disclaimers, e.g., the insurance contract does not cover damages, etc., arising from violations of laws and regulations and criminal acts committed intentionally by the insured.

Under this insurance contract, the insured are the directors, corporate auditors and corporate officers, etc., of the Company and its subsidiaries, all of whom have their insurance premiums borne by the Company in full.

(6) Status of audits by members of the Audit and Supervisory Committee and internal audits

(i) The Audit and Supervisory Committee consists of three directors, with two external directors comprising a majority, and is chaired by an external director. Yoshihiko Iwasaki, a Director who serves as a member of the Audit and Supervisory Committee, is a qualified tax accountant, and Kazushi Hirao, a member of the Audit and Supervisory Committee, has considerable professional knowledge on finance and accounting stemming from his expertise and experience gained from having served as a Corporate Auditor and a Director who serves as a member of the Audit and Supervisory Committee.

(ii) In principle, the Audit and Supervisory Committee holds a meeting before the convocation of a meeting of the Board of Directors; 10 meetings were held in the fiscal year ended March 31, 2023.

The directors who serve as members of the Audit and Supervisory Committee attended all meetings of the Audit and Supervisory Committee.

(iii) The Audit and Supervisory Committee performs its audit on the performance of executive directors as well as the effectiveness of the internal control system of the Company.

(iv) The Audit and Supervisory Committee performs such tasks as formulating the audit policy and audit plan after the conclusion of the general meeting of shareholders, assigning duties to members of the Committee, selecting full time members of the Committee, appointing selected members of the Committee and selecting the chairperson of the Committee.

(v) Selected members of the Audit and Supervisory Committee conduct field audits of operational divisions, offices and domestic and overseas subsidiaries, attend important meetings of the Corporate Management Council, etc., collect information and share information with other members of the Committee. The Audit and Supervisory Committee also gives the instructions about operational checks and reports and the effectiveness of the internal control system to the Internal Audit Division, etc., which is under direct control of the Committee and conducts organized audits.

(vi) The Internal Audit Division, etc. consist of 14 employees and determines such matters as the audit policy, audit plan, audit method and division of duties after the conclusion of the general meeting of shareholders. Its main activities are to perform verification, evaluation, etc. of the status of business execution and the effectiveness and operating status of the internal control system, make a report to the Audit and Supervisory Committee, and as necessary, conduct field audits of offices, domestic and overseas subsidiaries, etc. by accompanying the selected members of the Audit and Supervisory Committee.

(vii) The Audit and Supervisory Committee discusses management risks and other issues getting audit results from Audit and Supervisory member(s) and Internal Audit Division etc. to strengthen corporate governance from the viewpoints of compliance and validity.

(7) KPMG AZSA LLC performed financial audit for the fiscal year ended March 31, 2023. The names of certified public accountants (CPA) and the composition of the audit team are as follows.

The names of the CPAs who performed financial audit:

Designated limited liability partners: Tomoya Kurokawa and Tomohiro Yamanaka

The financial audit team was composed of 8 CPAs, 19 candidates for CPA who passed the CPA exam and associates in charge of system audit, etc.

Continuous audit period by the auditing corporation: 11 years.

3. Reasons for Adoption of Current Corporate Governance System

The Company was changed to a company with an audit and supervisory committee from a company with a board of corporate auditors after the 37th Ordinary General Meeting of Shareholders held on June 17, 2016, for the purpose of pursuing prompt decision-making and the more flexible execution of business, as well as the further enhancement of audit and supervisory functions of the Board of Directors.

For the Company's current organizational structure, please see "Capcom Corporate Governance Guidelines, Section 4 Organizational Structure."

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The Notices of Convocation to the ordinary general meeting of shareholders are sent out well in advance, approximately 3 weeks before the meeting date. For the fiscal year ended March 31, 2023, the Ordinary General Meeting of Shareholders was held on June 20, 2023, and the Notice of Convocation was mailed on May 29, 2023.
Scheduling AGMs Avoiding the Peak Day	As part of the effort to invigorate shareholders' meetings, the Company holds its Ordinary General Meeting of Shareholders earlier than the concentration day on which most Japanese companies hold their AGMs, in an attempt to encourage the attendance of as many shareholders as possible.
Allowing Electronic Exercise of Voting Rights	Shareholders can exercise their voting rights via the Internet by using PCs, smartphones and tablets.
Participation in Electronic Voting Platform	The Company participates in the ICJ electronic voting platform via Proxy Edge® of Broadridge. Institutional investors are now ensured a sufficient amount of time to consider proposals starting on the mailing date of the Notice of the Convocation and it has been facilitating the exercise of voting rights.
Providing the Notice of Convocation in English	The Notice of Convocation of the Ordinary General Meeting of Shareholders (in Japanese and in English) are posted on the Company's website as well as on TD Net, a website of the Tokyo Stock Exchange, Inc., for the convenience of shareholders residing in Japan and overseas, to encourage the exercise of voting rights.
Other	From the perspective of the early release of information, the Company posts the Notice of Convocation of the Ordinary General Meeting of Shareholders on its website and on TD Net in Japanese and English ahead of the mailing date and the legal Electronic Provision Measures Commencement Date. For the fiscal year ended March 31, 2023, the Notice of Convocation was uploaded on May 22, 2023 in Japanese and English. For the purpose of further enhancing dialogue/engagement with shareholders, the Company has adopted a hybrid participation-type virtual shareholder meeting since the ordinary general meeting of shareholders held in June 2020, enabling shareholders to virtually participate in the meeting through a web portal with streaming video, which also allowed shareholders to send comments.

2. IR Activities

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	The Company believes that it is the responsibility of a listed company, as well as a necessity in terms of corporate governance, to disclose information to shareholders and investors in a timely and appropriate manner and fulfill its accountability adequately. As such, the Company will maintain high transparency in the management of its business by taking the following basic stance in promoting IR activities: (1) establishment of a responsible IR system, (2) satisfactory information disclosure, and (3) establishment of a system for timely disclosures.
Regular Investor Briefings for Individual (Retail) Investors	It is the Company's plan to hold an individual (retail) investor conference about the outline of the Company once a year via the Internet in consideration of easy access regardless of the location of the individual (retail) investors. Explanation from the representative director: No
Regular Investor Briefings for Analysts and Institutional Investors	Financial results briefings are held twice a year (at annual and interim closings), where the Chairman and CEO, the President and COO, Director, Executive Vice President and CHO and Director, Executive Corporate Officer

	and CFO present management strategies and business performance. At the briefing, the Company aims to effect stable and consistent corporate communication. Explanation from the representative director: Yes
Posting of IR Materials on Website	The following information is available on the Company's website (URL) https://www.capcom.co.jp/ir/ Annual and quarterly securities reports ("Yukashoken Hokokusho" and "Shihanki Hokokusho"), annual and quarterly summary of financial results ("Kessan Tanshin"), outline of quarterly performance, integrated reports, videos of financial results briefings (annual), presentation materials for financial results briefings (annual), quarterly briefing materials for conference calls, Corporate Governance Reports, briefing materials for individual (retail) investors, game series sales, platinum (more than one million) sales titles, corporate information, stock and bond information and press releases, etc.. ※ Some of the above documents are available in Japanese only. Please check https://www.capcom.co.jp/ir/english/ for English documents.
Establishment of Department and/or Manager in Charge of IR	The Public Relations and Investor Relations Section has been established with 1 Executive Officer and 3 staff members.

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Company shall build a relationship based on trust and strive to realize coexistence and co-prosperity with shareholders, customers, business partners, employees, local communities and other stakeholders. In accordance with its corporate philosophy, the Company has established the "Capcom Code of Conduct" as the code of conduct for its directors, directors who serve as members of the Audit and Supervisory Committee, corporate officers and employees.
Implementation of Environmental Activities, CSR Activities etc.	The Company promotes various initiatives in accordance with its corporate philosophy. In the fiscal year ended March 31, 2023, we continued to donate to three organizations that are working on the healthy development of children and young adults, including the Fund to Support Children's Future. The Company also continued to entrust a support grant to the Office of the United Nations High Commissioner for Refugees to support refugees from Ukraine, while also donating a new support grant to the victims of the 2023 Türkiye-Syria earthquake. For environmental activities, see the disclosure on "Supplementary Principle 3.1.3 Sustainability Initiatives, etc." For further information on the initiatives, please refer to "Our ESG Approach" on the Company's website. (https://www.capcom.co.jp/ir/english/management/esg.html)
Development of Policies on Information Provision to Stakeholders	The Company aims for transparent and fair management to realize effective corporate governance, and has set out in "Capcom Corporate Governance Guidelines" that it will proactively disclose information in a timely and appropriate fashion.

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

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

(1) Structure to Ensure that Directors Perform their Duties in Accordance with Laws and Regulations

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

(2) Information Management and Storage related to Directors' Execution of Duties

The management and storage of documents and information related to directors' execution of duties, such as the minutes of the meetings of the Board of Directors is conducted in accordance with the "Document Management Rules."

(3) Risk Management Regulations and Other Systems

Efforts have been made so that the cross-sectional risk management system functions in accordance with the "Risk Management Rules," to proactively prevent crises and execute the appropriate actions if an emergency occurs.

(4) Structure to Ensure that Directors Perform their Duties Efficiently

The Company introduced a "Shikko Yakuin" (Corporate Officers) System under which the duties of the Board of Directors, who determine management policy, and the corporate officers, who carry out operations, are separated to enable smooth and flexible business operations and enhance efficient management with speedy decision-making.

(5) Structure to Ensure that Employees Perform their Duties in Accordance with Laws and Regulations

The "Capcom Code of Conduct" is the fundamental guidance to comply with laws and regulations. Preventive measures, including internal training and monitoring programs, are also in place.

(6) Structure to Ensure Compliance in Business Operations of the Company

The meetings of the Board of Directors of the Company's subsidiaries are held approximately once a month, and are attended by the Company's directors. In compliance with the "Management Regulations for Subsidiaries," etc., the Company developed close communication and collaboration between the Company and its subsidiaries, requiring reports on important information, including sales updates and business forecasts. Also to comply with the "Risk Management Rules," a group-wide compliance system is being promoted to ensure appropriate operations so that corporate governance functions effectively.

(7) Structure for the Audit and Supervisory Committee Assistants, Structure for their Independence of these assistants from Directors, and Structure to Assure the Effectiveness of Instruction given to them

For effective internal control, the Audit and Supervisory Committee strives to perform audits on the work of directors and employees based on the audit policy, report audit findings and make recommendations and advice as necessary. Accordingly, in order to enable the Audit and Supervisory Committee to perform its duties in a smooth and appropriate manner, the Internal Audit Division, etc., as organizations are directly supervised by the Audit and Supervisory Committee where fourteen dedicated staff members are in charge of performing tasks as assistants under the instructions of the Committee, and the Company ensures the consent from the Audit and Supervisory Committee is obtained regarding the personnel relocation of such staff members.

(8) Structure for Directors, the Audit and Supervisory Committee, Officers and Employees of the Company to Report to the Audit and Supervisory Committee, Structure to Report to the Audit and Supervisory Committee Other than the First Case, and Structure to Assure No Unfavorable Treatment will Result from the Reporting

Directors, the Audit and Supervisory Committee, Officers or employees of the Company, if asked for necessary information about the execution of their duties by the Audit and Supervisory Committee, respond quickly and appropriately to such requests, and properly report on required issues. Directors or employees who report to the Audit and Supervisory Committee will not be treated unfavorably because of such report.

(9) Structure to Ensure Effective Audit by the Audit and Supervisory Committee and Other Issues

Expenses incurred for executing the duties of the Audit and Supervisory Committee are budgeted. Directors who serve as members of the Audit and Supervisory Committee may request a cash advance on such expenses.

(10) Summary of operating status of system to ensure proper business execution

Summary of operating status of system to ensure proper business execution as of March 31, 2023 are as follows:

(i) In addition to each system mentioned above, the Company held important meetings such as the Corporate Management Council and the Board of Corporate Officers in addition to the Board of Directors' meetings, to make necessary deliberations, resolutions and reports of the matters and agenda as deemed required by the laws and/or regulations. The Audit and Supervisory Committee also held meetings to discuss its audit policy and plans as well as any audit matters relating to the execution of duties of the Members of the Board and compliance issues.

(ii) The Company holds the quarterly meeting of the Compliance Committee chaired by an external director and reports recognized inherent risks and the probability of such risks being actualized to the Board of Directors, thereby aiming at the early detection and prevention of any violation of laws and regulations and wrongful acts.

(iii) The Company ensures that compliance is thoroughly understood by officers and employees, including the prevention of insider trading and information leakage and the ensuring of information security, by confirming effectiveness using e-learning and the periodic compliance check sheet in order to help officers and employees obtain sufficient knowledge on compliance.

Additionally, the Company is firmly establishing compliance awareness among its officers and employees by conducting internal and external training such as its training on harassment.

(iv) With regard to information storage and management, we appropriately manage various confidential information such as personal information in accordance with rules and guidelines such as the "Information Management General Rules."

Additionally, we are striving to ensure information security by strengthening privilege management, updating to the latest software, and simplifying systems, as well as the introduction of SOC services for around-the-clock monitoring of connections with external parties and EDR for early detection of unusual activity taking place on devices. Furthermore, based on the advice, etc., of the Information Technology Security Oversight Committee, an external advisory organization, we are making efforts to continuously operate and monitor our systems and also to maintain and strengthen our information security system based on a PDCA cycle by building a system capable of early response and restoration, in the event of emergency situations including the manifestation of security risks such as cyberattacks.

(v) The Audit and Supervisory Committee performs stringent checks as to whether or not the internal control system is being implemented effectively through organizational audits including periodically receiving reports from the Internal Audit Division, etc. and giving instructions as necessary.

(vi) The Audit and Supervisory Committee performs stringent checks as to whether or not the internal control system is being implemented effectively through organizational audits including periodically receiving reports from the Internal Audit Division, etc. and giving instructions as necessary.

(vii) As countermeasures against novel coronavirus infections (COVID-19), the Company continues to place importance on the health of its employees and their families, and responds appropriately to the situations such as providing an environment for preventing infections.

Regarding the arcade operation business, the Company strives to maintain sound operations in line with the governmental guidelines as well as implementing sufficient infectious control measures toward customers.

(viii) In April 2022, the HR-related organizations were reorganized and a new Chief Human Resources Officer (CHO) was appointed, among other measures, to enable direct communication between the management and the employees, while the "Human Resources Committee" was also established to focus on the discussion of human resources investment strategy and relevant measures. As such the Company strives to make prompt and effective decisions for pushing forward with strategies on human capital and resolving the relevant issues. Additionally, the Company has been working to deepen mutual understanding by communicating with its employees through, for example, briefings to provide opportunities for direct dialogue between the management and the employees for implementing the various measures and firmly establishing business strategies. Such briefings were held a total of 20 times and they had question and answer sessions and made exchanges of opinions.

(ix) To further improve the working environment and to ensure the early detection and prevention of any violation of laws, regulations, etc., a point of contact for receiving reports and consultation requests from the Company's employees was once again established. The point of contact was established not only internally but also at an outside law firm to put a system in place where reports and consultation requests from employees could be received. Furthermore, the rules including the independence from management, prohibition of the disadvantageous treatment of employees, etc., on the grounds that they have made a whistleblower report,

and confidentiality obligations concerning the information that can identify consultants, and so on were stipulated and are properly operated.

2. Basic Views on Eliminating Anti-Social Forces

The Company has a firm stand against antisocial forces that threaten social order and the safety of citizens, and strictly prohibits any association with such groups at the organizational, employee and individual levels. If we are contacted by such groups, in addition to swift organizational measures, we will cooperate with the police and other relevant authorities to firmly refuse unlawful demands. While the Company attempts to remain aware of information related to these groups in order to avoid contact or involvement, if we discover that we have unknowingly become involved with them, we will immediately terminate the association with help from the police and other relevant authorities.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	None
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Supplementary Explanation

Basic policy in regard to parties who control the decision making of policies related to the Company's finances and business

(1) Source of the Company's corporate value

The Company develops and sells gaming software for the home as its core business, and also develops and distributes mobile contents, operates arcade facilities, develops, manufactures and sells amusement equipment and operates other contents businesses.

The Company strives to enhance corporate value by pushing ahead with structural reforms across management in general, such as the expansion of the development division, which is the source of corporate value, and in addition to agile marketing strategy and a stronger sales structure, the expansion of contents, efficient operation of business of the group overall, structural reform of finances, introduction of "Shikko Yakuin" (corporate officer) system, and speedy decision making through the clarification of the roles of management and execution.

(2) Initiatives to enhance the corporate value of the Company

The market environment of the industry is changing with rapid technological innovation and diversification of business areas, and the competitive environment is becoming more difficult than ever. For the Company to survive competition as the industry undergoes structural change, the Company believes developing a structure to respond to changes in the management environment is the most key issue.

The Company will strive to enhance corporate value for further growth going forward, by pushing ahead and realizing strategic goals.

(3) Initiatives to prevent the inappropriate large-scale purchase of shares

The Company does not have any specific measures (anti-takeover measures) in place to prevent the inappropriate large-scale purchase of shares. Should a large-scale purchaser of the Company's shares appear, the Company will request necessary and sufficient information to the extent allowed by laws and regulations for shareholders to make an appropriate judgment as to whether to accept the large-scale purchase. The Company will also take appropriate measures such as disclosing the opinion of the Board of Directors and endeavoring to secure sufficient time for consideration by shareholders, and work to secure and enhance corporate value and the common profits of shareholders.

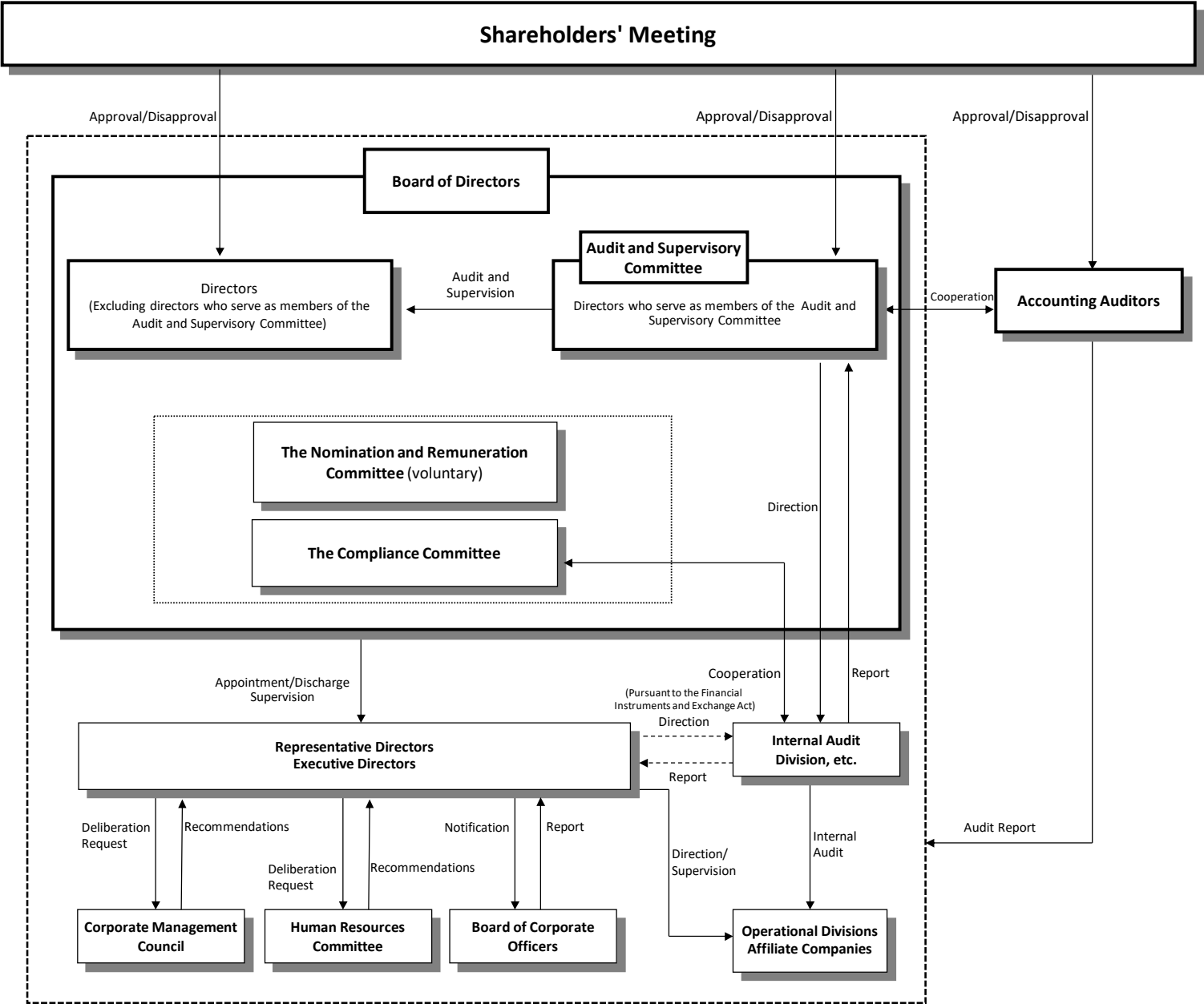
2. Other Matters Concerning to Corporate Governance System

(1) The Company fully acknowledges its social responsibility as a listed company, and seeks the establishment of an information management system to secure legal compliance, fairness and transparency.

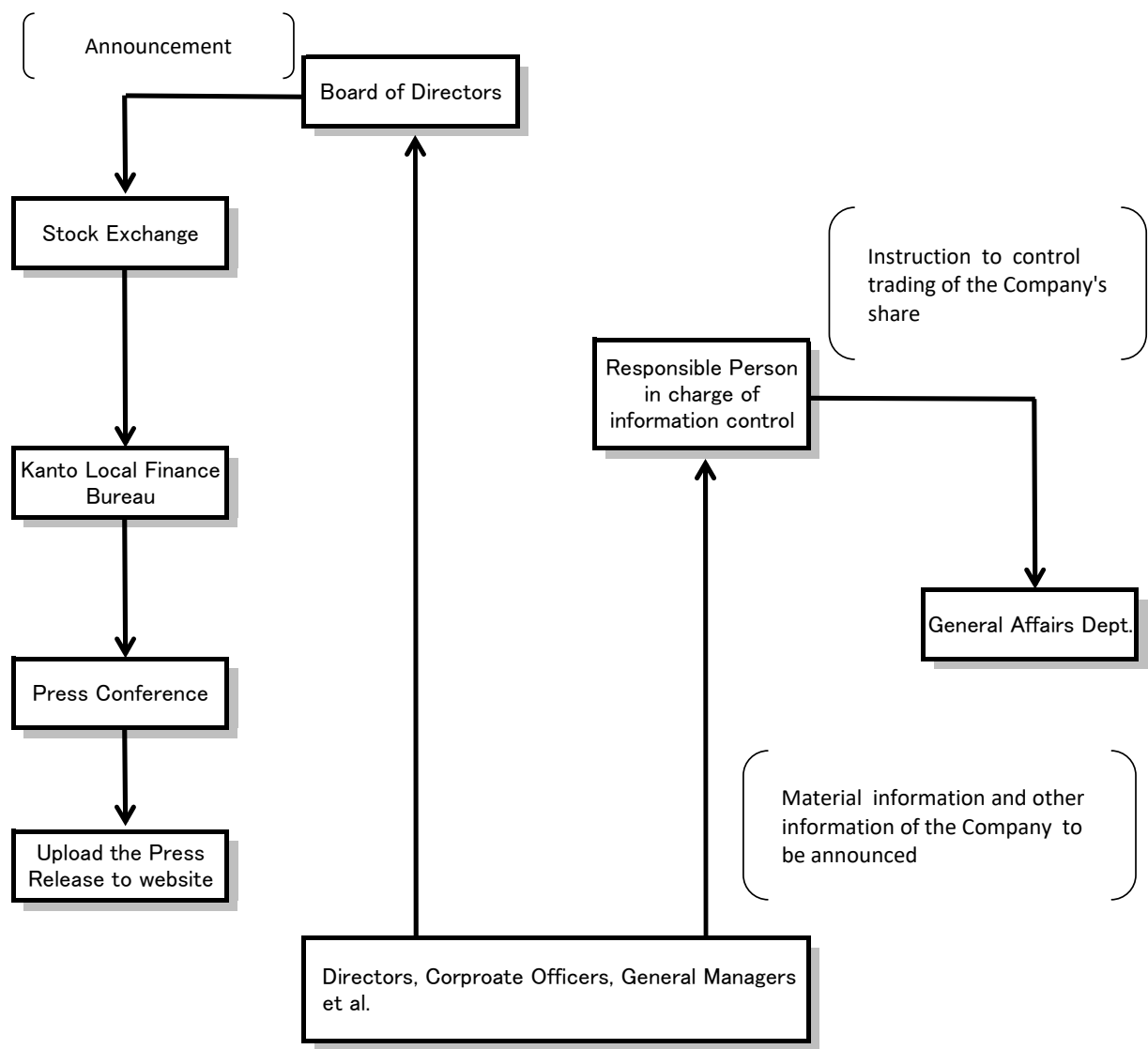
(2) For that reason, the Company focuses on timely and appropriate information disclosure in compliance with the Securities and Exchange Law and other regulations, namely, the Timely Disclosure Rules set by the Stock Exchange, and aims for timely disclosures for the benefit of shareholders, etc., through the establishment of the internal control system, for corporate governance to function.

- (3) When there is a material event or corporate issue requiring a timely disclosure, the person(s) in charge of the related department(s) (directors, officers or departmental heads) shall report to the Board of Directors, as well as to the director in charge of information management regulating insider trading.
- (4) When the material event or corporate issue is determined or likely to be subject to the insider trading regulation, the director in charge of information management shall instruct the General Affairs Department, which supervises the trading of the Company's shares, to restrict trading after the time the Board of Directors determines or reports the event until the time it is publicly announced.
- (5) When a person subject to restriction tries to file an "application form for trading Company's and other shares" during this period, the General Affairs Department shall request the person to keep the application on hold for a while.
- (6) When the material event or corporate issue is determined or reported at the Board of Directors' meeting, it shall be immediately reported to the Stock Exchange and the Kanto Regional Finance Bureau, and a press release shall follow.
- (7) The Company endeavors to achieve proactive disclosure, including the posting of news releases on the Company's website.

[Corporate Governance Structure]



【Chart】Timely disclosure process of the Company



Capcom Corporate Governance Guidelines

Section 1: General Provisions

The Capcom Group (hereinafter referred to as the “Company” (including its subsidiaries and affiliates)) possesses as strengths:

- (i) The development and technological ability to continuously produce the top quality contents (IPs) in the world,
- (ii) A large number of popular intellectual properties loved throughout the world.

In order to realize steady growth over the mid- to long-term, and pursue the enhancement of corporate value, the Company formulates these “Corporate Governance Guidelines” as basic guidelines on corporate governance, and works to enhance its corporate governance system in a sustained manner.

1. Basic views on corporate governance

The Company endeavors based on its “corporate philosophy” to build “appropriate relationships with stakeholders” and works to continually enhance its corporate governance.

<Corporate philosophy>

To be a "Creator of entertainment culture that stimulates your senses" through entertainment in the form of games that move and excite people

<Initiatives to realize corporate philosophy>

- (i) Strengthen management related human resources and streamline the development of successors
- (ii) Ensure diversity in terms of gender, nationality and age, develop organizational system and improve functionality
- (iii) Build effective risk control system utilizing Board of Directors
- (iv) Enhance management transparency through timely and appropriate information disclosure and dialogue

2. Revision and abolition of the Guidelines

The revision and abolition of the Guidelines shall be subject to the resolution of the Board of Directors.

Section 2: Appropriate Cooperation with Stakeholders

1. Relationship with stakeholders

The Company shall build a relationship based on trust and strive to realize coexistence and co-prosperity with shareholders, customers, business partners, employees, local communities and other stakeholders.

In accordance with its corporate philosophy, the Company shall establish the "Capcom Code of Conduct" as the code of conduct for its directors who serve as members of the Board of Directors, directors who serve as members of the Audit and Supervisory Committee, corporate officers and employees, and periodically verify its implementation status.

2. Relationship with shareholders

(1) General meeting of shareholders

The Company shall secure sufficient time for shareholders to consider proposals at the general meeting of shareholders, which is its highest decision-making body, and endeavor to develop an environment in which shareholders can properly exercise their rights.

- The ordinary general meeting of shareholders shall be held early so as to avoid the so-called "concentration date" (i.e., day on which the ordinary general meetings of shareholders of many other companies are expected to concentrate).
- The notice of convocation of the ordinary general meeting of shareholders shall be sent about three weeks before the convocation date of the general meeting of shareholders.
- The notice of convocation shall be published on the Tokyo Stock Exchange and the Company's websites in both Japanese and English prior to mailing and the legal Electronic Provision Measures Commencement Date
- Convenience shall be ensured for domestic and overseas shareholders in exercising their voting rights by accommodating the exercise of voting rights via the Internet and using an electronic voting platform.
- To help facilitate appropriate judgment by shareholders, efforts shall be made to explain the notice of convocation in plain language, including utilizing diagrams, etc. Also, the latest information and past materials shall be posted on the Company's website so that they are made available as reference.
- In cases where a shareholder in a wheelchair or with a physical disability, etc. wishes to attend the general meeting of shareholders, if he/she has requested to be accompanied by a carer, etc., the accompanying carer, etc. shall be allowed to attend as a general rule.
- In cases where a request has been made by an institutional investor, etc. who holds shares in the name of a custodian trust bank, etc. by the day immediately preceding the day of the general meeting of shareholders, if such institutional investor, etc. can be confirmed as the beneficial shareholder based on, for example, consultation with the custodian trust bank, etc. or submitted materials, such an institutional investor, etc. shall be allowed to enter the meeting venue as an observer.
- At the general meeting of shareholders, a "Q&A session" format shall be adopted with questions and opinions on the agendas received all at once instead of on a proposal by proposal basis, to contribute to constructive dialogue with shareholders.
- The Board of Directors shall accept the voting results at the general meeting of shareholders with sincerity, and in cases where the non-approval rate is 10% or higher, immediately analyze the causes and consider dialogue with shareholders and other necessary matters.

(2) Securing the rights and equal treatment of shareholders

The Company shall give consideration so as not to hinder the exercise of rights by shareholders, and shall endeavor to fully secure the rights and equal treatment of all shareholders, including minority shareholders and foreign shareholders.

The Company shall take appropriate measures to enable shareholders to exercise their diverse rights smoothly and equitably without prejudice, in accordance with the nature of their shareholding and the number of shares held.

(3) Anti-takeover measures

- (i) So-called anti-takeover measures have not been established at present.
- (ii) In cases where an act of hostile large-scale purchase of shares has been performed, the Board of Directors of the Company shall respond as follows:
 - Strive to gather information and secure the time needed for shareholders to make an appropriate judgment of the acceptability of the act of large-scale purchase of shares;
 - Request the large-scale purchaser to explain measures to increase the Company's corporate value; and
 - Take appropriate measures such as announcing the Company's measures to increase its corporate value to shareholders, and disclosing whether the Company is for or against the act of large-scale purchase of shares, its opinions, reasons, etc.
- (iii) In cases where the Company's shares are subject to a tender offer, the Board of Directors of the Company shall respond as follows:
 - Request the tender offeror explain the measures to increase the Company's corporate value by submitting a position statement; and
 - Take appropriate measures such as announcing the Company's measures to increase its corporate value to shareholders, and disclosing whether the Company is for or against the tender offer, its opinions, reasons, etc., to enable shareholders to promptly and appropriately determine whether to continue to hold the shares or accept the tender offer.

(4) Related party transactions

The Company shall put the following structures in place so that related party transactions will not harm the interests of the Company or the common interests of shareholders.

- For transactions including conflict-of-interest transactions with a major shareholder substantially controlled by a director or his/her close relative, etc., a resolution of the Board of Directors shall be obtained in advance. Also, a report on such transactions shall be made after the fact.
- Directors who serve as members of the Audit and Supervisory Committee and the accounting auditor shall conduct strict audits with respect to appropriateness, reasonability, etc.
- Related party transactions shall be disclosed in accordance with the Companies Act, the Financial Instruments and Exchange Act and other laws and regulations, as well as the rules prescribed by the Tokyo Stock Exchange.

3. Relationship with customers

In accordance with its corporate philosophy, the Company shall endeavor to enhance customer satisfaction by moving hearts and delivering smiles through entertainment in the form of games.

- Endeavor to develop games and enhance the environment so that all customers and users can equitably and safely enjoy them.
- The Company as a whole shall engage in initiatives aimed at the healthy development of entertainment.

4. Relationship with business partners

In accordance with its corporate philosophy, the Company shall build mutual trust and fair and appropriate business relationships, not to mention complying with laws and regulations.

The Company shall work on the production of high-quality products through cooperation with business partners.

5. Relationship with employees

In accordance with its business principle, the Company shall 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 pleasant to work in.

- Create a pleasant working environment for employees, improve productivity and push forward with securing and developing human resources, based on the view that "people are the essence of a company."
- Scout and discover diverse people to adapt to changes in the business environment, conduct personnel recruiting and evaluation, etc., without prejudice based on one's gender, nationality, age, etc.
- Make specific action guidelines widely known in accordance with the "Capcom Code of Conduct," which is the code of conduct for the Company's officers and employees, and thoroughly enforce compliance with laws and regulations etc.
- Create a working environment in which employees can work in a healthy manner and with peace of mind and establish a point of contact for receiving reports and consultation requests from employees, etc. in order to ensure early detection and prevention of any violation of laws, regulations, etc.
- Establish such a point of contact not only internally, but also at an external law office and establish rules to ensure their independence from the management, and to prohibit the disadvantageous treatment on the grounds that they have made a whistleblower report, prescribe confidentiality obligations concerning the information that can identify reporters, and so on, and operate such structure in an appropriate manner.

6. Relationship with society

In accordance with its corporate philosophy, the Company shall aim to be a "good corporate citizen" and proactively work to solve environment and society's common problems.

- Minimize the negative impact of the business on climate change [e.g., CO₂ and other greenhouse gas (GHG) emissions], and promote initiatives such as renewable energy to reduce environmental pollution, use of resources, etc.
- Respect human rights, prohibit discrimination based on race, religion, gender, age, sexual orientation, disability, nationality, etc., and thoroughly eliminate inequality by protecting the vulnerable.
- Engage in activities to assist children suffering from poverty in the hope of their healthy growth and development.
- Promote initiatives to spread a healthy game culture, such as accepting visits to the Company's offices and holding "on-site classes" targeted at children.

Section 3: Ensuring Appropriate Information Disclosure and Transparency

In order to realize effective corporate governance, the Company shall disclose information in a timely, appropriate and proactive manner, aimed at transparent and fair management.

- Comply with the Companies Act, the Financial Instruments and Exchange Act and other laws and regulations, as well as the rules prescribed by the Tokyo Stock Exchange.
- Aim for immediate and fair information disclosure by such means as disclosing information on the Company's website.
- Make the description specific and in plain language, and strive to provide high value-added information, including non-financial information.
- Disclose information promptly, fairly and appropriately, and work to make necessary information available in English as well.
- The Board of Directors shall conduct oversight to ensure timely and accurate information disclosure.

Section 4: Organizational Structure

1. Organizational structure

- In order to further strengthen the auditing and supervisory functions of the Board of Directors, as well as to facilitate prompt decision-making and flexible business execution, the Company shall adopt the structure of a company with an audit and supervisory committee.
- Also, the Company shall further strengthen its corporate governance function by establishing a Nomination and Remuneration Committee and a Compliance Committee as advisory organizations to the Board of Directors.
- For the purpose of clarifying the separation of management oversight and business execution, the Company shall adopt the structure of "Shikko Yakuin" (corporate officers) and seek to clarify the responsibility of business execution and improve the efficiency of decision-making through the delegation of authority.

2. Board of Directors

(1) Roles and responsibilities of Board of Directors

Given its fiduciary responsibility to shareholders, the Board of Directors shall properly fulfill the following roles and responsibilities in pursuit of sustained growth and higher mid- to long-term corporate value.

- The Board of Directors shall make decisions on matters prescribed by laws and regulations, the articles of incorporation, and the Board of Directors Rules.
- The Board of Directors shall discuss growth strategies based on the corporate philosophy and formulate the basic management policy and management strategies.
- The Board of Directors shall make decisions in a rational manner through an adequate deliberation process after taking into consideration forecasts, objectivity, transparency, fairness, etc.
- Executive directors and corporate officers shall execute prescribed business, and the Board of Directors shall supervise the execution of business appropriately.
- The Board of Directors shall develop and implement a structure for the Company's internal control system, including a company-wide risk management system, in order to ensure prompt business execution based on appropriate controls.
- The Board of Directors shall oversee the implementation status of the internal control system while utilizing the advice and suggestion from the Audit and Supervisory Committee of the Company as necessary.
- The Board of Directors shall delegate the authority to decide some important matters on business execution—such as personnel relocation and reorganization—to the representative director, in order to ensure prompt, agile and efficient business development.
- The Board of Directors shall demonstrate its function to oversee management in general and ensure fairness and transparency of management through the appointment and dismissal of directors, the determination of remuneration of directors (excluding directors who serve as members of the Audit and Supervisory Committee), major operational decisions, etc.

(2) Chairperson of the Board of Directors

- The Board of Directors shall decide the chairperson of the Board of Directors pursuant to the provisions of the articles of incorporation.
- The chairperson of the Board of Directors shall endeavor to make deliberations active at meetings of the Board of Directors, with free, open and constructive discussions and exchange of opinions.

(3) Composition of the Board of Directors

- Efforts shall be made to ensure diversity in the Board of Directors and take balance into consideration with respect to its composition in terms of knowledge, experience, skills, etc. in light of the management strategies, and their details shall be tabulated and disclosed.
- The Company will work to strengthen the supervisory function of the Board of Directors by utilizing

several independent external directors to enhance management transparency from an external viewpoint.

- The Company will endeavor to invigorate the Board of Directors and enhance corporate value by appointing at least one-third of the members of the Board of Directors to be independent external directors.
- A Nomination and Remuneration Committee as an advisory body on the nomination and remuneration of directors shall be established under the Board of Directors. A Compliance Committee shall also be established as an advisory body whose objective is to monitor and supervise the status of compliance with laws and regulations etc.

3. Audit and Supervisory Committee

(1) Roles and responsibilities of Audit and Supervisory Committee

In recognition of its fiduciary responsibility to shareholders, and to fulfill its management monitoring function from an independent and objective standpoint, the Audit and Supervisory Committee shall appropriately perform the following roles and duties.

- The Audit and Supervisory Committee shall audit the execution of duties by directors and employees based on the audit policy.
- The Audit and Supervisory Committee shall conduct audits of the execution of business by directors and the reasonableness of the system of internal controls, among others.
- The Audit and Supervisory Committee shall formulate audit guidelines and audit plans, decide what each director who serves as a member of the Audit and Supervisory Committee is in charge of, appoint directors who serve as full-time members of the Audit and Supervisory Committee, appoint selected directors who serve as members of the Audit and Supervisory Committee, and appoint the chairperson, among others.
- The Audit and Supervisory Committee shall give instructions to the Internal Audit Division, which is directly under the Audit and Supervisory Committee in order to conduct organized and systematic audits, to investigate the effectiveness of the system of internal controls and the operating status of the same, and make a report.
- The Audit and Supervisory Committee shall appropriately exercise its authority with respect to the appointment and dismissal of directors who serve as members of the Audit and Supervisory Committee, the appointment and dismissal of the accounting auditor, and audit remuneration.

(2) Chairperson of the Audit and Supervisory Committee

- The Audit and Supervisory Committee shall, by its resolution, decide its chairperson from among directors who serve as members of the Audit and Supervisory Committee, and the chairperson shall preside over the Committee meetings.
- The chairperson of the Audit and Supervisory Committee shall be an external director.

(3) Relationship with Internal Audit Division

- An Internal Audit Division etc. shall be established as an internal audit department to assist the Audit and Supervisory Committee. The Audit and Supervisory Committee shall receive result of audit reports from the Internal Audit Division and report to the Board of Directors as appropriate.
- The Internal Audit Division etc. shall verify and evaluate the status of business execution by employees, the effectiveness of the system of internal controls and its operating status etc. and report to the Audit and Supervisory Committee. The Internal Audit Division etc. shall also accompany selected directors who serve as members of the Audit and Supervisory Committee, as appropriate, to conduct on-site audits of offices and domestic and foreign subsidiaries.

(4) Relationship with accounting auditor

- The Audit and Supervisory Committee and accounting auditor shall hold discussions as necessary on an ad hoc basis, exchange opinions and information on audits, and enhance the audits of both through close communication and cooperation.
- The Audit and Supervisory Committee shall formulate the evaluation standards for the selection of the accounting auditor with the cooperation of the Internal Audit Division etc. and other related parties, request multiple accounting auditors to submit proposals and perform the evaluation in accordance with the evaluation standards.
- The Audit and Supervisory Committee and directors who serve as members of the Audit and Supervisory Committee shall consider the audit methods of the accounting auditor and appropriateness of the audit results, and shall determine the appropriateness of the same through interviews and exchanges of opinion with the accounting auditor.
- The Audit and Supervisory Committee and directors who serve as members of the Audit and Supervisory Committee shall conduct interviews with the accounting auditor regarding the independence and expertise of the accounting auditor as appropriate including the existence of any conflict of interest based on the Certified Public Accountants Act and make their assessment.

4. Directors / directors who serve as members of the Audit and Supervisory Committee

(1) Directors

In recognition of their fiduciary responsibility to shareholders, directors shall execute their duties in pursuit of the sustained enhancement of corporate value.

- Directors shall act in the best interests of the Company and common interests of shareholders.
- Directors shall express their opinions based on their respective knowledge, experience and skills etc.
- Directors shall gather sufficient information to execute their duties.
- Directors shall request information and materials from the relevant departments as necessary to make appropriate decisions.

- Directors shall endeavor to obtain and improve their knowledge required for properly fulfilling their roles and responsibilities.

(2) Directors who serve as members of the Audit and Supervisory Committee

- The Company shall endeavor to include persons with a high level of knowledge of finance and accounting among directors who serve as members of the Audit and Supervisory Committee.
- Directors who serve as members of the Audit and Supervisory Committee shall conduct audits and supervision from diverse viewpoints, based on each's excellent insight, specialist expertise and abundant experience.
- Directors who serve as members of the Audit and Supervisory Committee shall exercise their authority over audit of the execution of duties by directors, appointment and dismissal of the accounting auditor, and auditor remuneration, among others.
- Directors who serve as members of the Audit and Supervisory Committee shall audit the legality and appropriateness with respect to the execution of duties by directors by expressing their opinions in an objective and fair manner, among others.
- Directors who serve as selected members of the Audit and Supervisory Committee shall conduct on-site audits of business divisions, offices and domestic and foreign subsidiaries, attend important internal meetings such as corporate management meetings, and share information.

(3) Independent external directors

- In addition to the requirements under the Companies Act, the "Criteria of Independence of External Director" shall be formulated, and independent external directors shall be appointed based on the independence requirements of said Criteria.
- Independent external directors shall express opinions and give advice as appropriate at meetings of the Board of Directors or the Audit and Supervisory Committee, aimed at the enhancement of corporate value.
- Non-executive directors including independent external directors shall supervise the execution of business by directors.
- Independent external directors shall supervise transactions involving conflicts of interest and other matters from an independent standpoint.
- Independent external directors shall endeavor to reflect the opinions of stakeholders in the Board of Directors.
- Independent external directors shall exchange information and share perspectives through the activities of the voluntary committees.
- The Company shall secure a structure for the effective functioning of audit and supervision, by arranging meetings with top management as appropriate, in addition to creating opportunities for information exchange and the sharing of perspectives for non-executive directors including independent external directors.

- Independent external directors shall gather information from and exchange opinions as necessary with executive directors, corporate officers, employees and other business executers, in order to properly execute their duties from an independent standpoint.

<Criteria of Independence of External Directors>

The Company shall judge those persons for whom the following items do not apply as having independence as an external director.

- (i) A business executer of the Company currently or in the past ten (10) years;
- (ii) A main business partner or a business executer of such business partner (enterprise and the like), "main" meaning that consolidated net sales or trading value between the Company and the business partner accounts for not less than one (1) % of the Company and the business partner (as the case may be) on an annual basis;
- (iii) A person or enterprise having main business relationship with the Company or a business executer of such enterprise, "main" meaning that consolidated net sales or trading value between the Company and such enterprise accounts for not less than one (1) % of the Company and such enterprise (as the case may be) on an annual basis;
- (iv) The principal shareholders of the Company (holding not less than 10% of the total voting rights) or a business executer of such shareholder or corporation of which the Company is principal shareholder;
- (v) A business executer of organization or corporation to which the Company donated, financed or guaranteed in a large amount;
- (vi) A business executer of corporation with which the Company has cross directorship;
- (vii) Lawyer, certified public accountant, consultant and the like who received ¥10 million or more in cash or other assets per annum (in case of corporation or association who receives such assets, person belonging to such corporation or association that an amount involved in transactions between the Company accounts for not less than one (1) % of the consolidated net sales or trading value of the Company (as the case may be) on an annual basis and ¥10 million or more);
- (viii) In case of (ii) to (vii) above, person falling under any of business year in the past ten (10) years; and
- (ix) Spouse or relative within the second degree of kinship of the person falling under any of (i) to (viii) above.

5. Accounting auditor

The accounting auditor shall have the important role of ensuring the reliability of disclosed information, and bear responsibility toward shareholders and investors. The accounting auditor shall ensure independence and expertise and properly conduct accounting audits.

- The Board of Directors and the Audit and Supervisory Committee shall endeavor through the speedy provision of information to secure sufficient audit time for the accounting auditor to allow a high quality audit.
- The Board of Directors and the Audit and Supervisory Committee shall endeavor to secure opportunities for the gathering of information and exchange of opinions through meetings between the accounting auditor and directors in charge of management such as the CEO, COO and CFO as well as other executive directors as appropriate, and other means.
- The accounting auditor shall secure a structure that enables the execution of audits in an appropriate manner and enhance audits in collaboration with the Audit and Supervisory Committee and Internal Audit Division.
- The Board of Directors and the Audit and Supervisory Committee shall establish a structure to deal with cases where the Audit and Supervisory Committee or the accounting auditor discovers something improper and requests an appropriate response, or points out some other defect or problem.

6. Voluntary committees

(1) Nomination and Remuneration Committee

- The Board of Directors shall establish a voluntary Nomination and Remuneration Committee as an advisory body, to strengthen the oversight function.
- An independent external director shall be the chairperson. Also, a majority of the members shall be independent external directors.
- The CEO and COO shall not be members of the Nomination and Remuneration Committee.

<Nomination guidelines >

- The Board of Directors and the Nomination and Remuneration Committee shall secure transparency and objectivity in the nomination of director candidates.
- The Board of Directors and the Nomination and Remuneration Committee shall consider in the nomination of directors a balance between abundant experience in a wide variety of fields, specialist expertise and insight, to secure diversity in the Board of Directors and in the light of management strategy, and shall strive to optimize the Board of Directors overall.
- In regard to the selection and dismissal of directors and senior management, in order to ensure a more rigorous process and to secure transparency and fairness, the Board of Directors shall seek the advice of the Nomination and Remuneration Committee and shall make the decision in consideration of the deliberations and advice of the said Committee.

- The Board of Directors shall seek the advice of the Nomination and Remuneration Committee in regard to the selection and dismissal of senior management, taking job experience, insight, specialist expertise, contribution to company profits and other points into overall consideration.
- The Board of Directors shall obtain the consent of the Audit and Supervisory Committee in regard to the selection of directors who serve as members of the Audit and Supervisory Committee.
- The career summary, the reasons for selection, the status of significant concurrent positions held and other information on the individual directors shall be written and disclosed in the notice of convocation of the general meeting of shareholders and the annual securities report (yuho), etc.
- In regard to the selection and dismissal of the CEO, the Board of Directors shall seek the advice of the Nomination and Remuneration Committee, taking his/her qualities, capabilities for the execution of duties, track record and management skills, among others, into overall consideration. The Board of Directors shall make the decision in consideration of the deliberations and advice of the said Committee.
- The Board of Directors shall seek the advice of the Nomination and Remuneration Committee regarding the fitness of the successor to the CEO etc..

<Remuneration guidelines>

- The Board of Directors and the Nomination and Remuneration Committee shall secure fairness and transparency in regard to the remuneration etc. of directors whose total amount is determined by resolution of the general meeting of shareholders.
- The Nomination and Remuneration Committee shall, in response to the Board of Directors' request for advice, deliberate and give its advice on the "Guidelines for Determining the Remuneration, etc. of Individual Directors." The Board of Directors shall determine the said guidelines in consideration of such advice.
- The remuneration guidelines, etc. of directors based on the above shall be as follows.
 - (i) Remuneration, etc. of directors (excluding directors who serve as members of the Audit and Supervisory Committee)
 - a. Base remuneration of directors (excluding directors who serve as members of the Audit and Supervisory Committee)
 - Monthly remuneration shall be fixed in amount, i.e., fixed remuneration.
 - Remuneration shall be in the amount deemed reasonable after taking into consideration each director's position, his/her job responsibilities, how long he/she has been in office, whether he/she is an executive director or non-executive director and other such factors and evaluating his/her performance as an individual.
 - b. Performance-linked remuneration, etc., of directors (excluding external directors and directors who are members of the Audit and Supervisory Committee)
 - This shall basically be short-term performance-linked remuneration in the form of bonus payment for a single fiscal year.
 - Based on the Company's management goal of "stable profit growth," it shall be calculated by

evaluating the following items: "consolidated net profit attributable to the parent in the black on a single fiscal year basis," "year-on-year increase in consolidated operating income," "multi-year consecutive increase in consolidated operating income," and "evaluation of operations that the relevant director is in charge of."

- The percentage of remuneration, etc. of directors (excluding external directors and directors who serve as members of the Audit and Supervisory Committee) shall be set based on the above items, within the limit for the bonus payment for a single fiscal year, which is capped at 50% of the annual base remuneration amount, in addition to monthly remuneration (i.e., base remuneration).
- (ii) Remuneration, etc. of directors who serve as members of the Audit and Supervisory Committee
- The remuneration, etc. of individual directors who serve as members of the Audit and Supervisory Committee shall be fixed in amount instead of being linked to performance from the point of view of ensuring independence, and shall be determined through discussions by the directors who serve as members of the Audit and Supervisory Committee in consideration of such factors as whether they serve full-time or part-time.
 - Based on the advice given by the Nomination and Remuneration Committee, the Board of Directors shall determine the amount of remuneration of each director within the limit of the total amount of remuneration, etc. of all directors (excluding directors who serve as members of the Audit and Supervisory Committee) and the total amount of remuneration, etc. of all directors who serve as members of the Audit and Supervisory Committee determined by the resolution of the general meeting of shareholders.

(2) Compliance Committee

The Board of Directors shall establish a voluntary Compliance Committee as an advisory body, whose objective is to monitor and supervise the status of compliance with laws and regulations, etc.

- The Compliance Committee shall obtain a grasp of the probability of a breach of compliance with laws and regulations occurring.
- The Compliance Committee shall make advice and/or recommendation on the status of compliance with laws and regulations, etc. to the Board of Directors as necessary.

7. Support structure

- (i) To help make deliberations of the Board of Directors more active, a secretariat to the Board of Directors shall be established and operated as follows.
- An annual schedule for the meetings of the Board of Directors shall be prepared, and extraordinary meetings shall be held on an ad hoc basis as necessary.
 - As for materials to be handed out, materials that make it easy to obtain a grasp of the outline of proposals shall be prepared and distributed in advance.
 - Authority regarding certain important matters on business execution, including personnel

relocation and reorganization shall be delegated to the representative director. The Company shall endeavor to enhance deliberations by the Board of Directors by confirming the appropriateness of the agenda items.

- (ii) The director in charge of management administration shall provide an explanation of the proposals and supplementary items to external directors about one week before the meeting date of the Board of Directors so that sufficient discussions can take place at the meeting of the Board of Directors.
- (iii) A structure shall be secured so that external directors are able to make decisions regarding proposals in a timely and appropriate manner; the corporate officer in charge shall attend the meeting of the Board of Directors as necessary, and assist the explanation of the proposal and response to questions by the director in charge.
- (iv) Directors, directors who serve as members of the Audit and Supervisory Committee, corporate officers and employees of the Company shall respond promptly and appropriately to the request when asked for information necessary for the execution of duties by directors.
- (v) An Internal Audit Division etc. independent from the business execution departments shall be established as an organization directly under the Audit and Supervisory Committee as an internal audit department to assist the said Committee, to enable the execution of duties by the Audit and Supervisory Committee in a smooth and appropriate manner, and said Division shall serve as the secretariat to the Audit and Supervisory Committee.
 - The Internal Audit Division, etc. shall endeavor to maintain independence of business executors, and shall execute duties subject to the supervision and instruction of directors who serve as members of the Audit and Supervisory Committee, and also report to the Audit and Supervisory Committee as appropriate.
- (vi) The Executive Secretariat Office and Internal Audit Division etc. shall perform auxiliary tasks to enable the smooth execution of duties by non-executive directors including external directors. The Company shall also establish a dedicated division for the Board of Directors to strengthen the support system.
- (vii) The budget shall be secured for external experts such as consultants necessary for the smooth and appropriate execution of duties by directors.

8. Director training

Directors shall be provided with necessary training opportunities and information, as appropriate.

- Upon the assumption of office by a new director, he/she shall be provided with information on industry trends, etc., in addition to an explanation of the Company's business, financial position and organization and the opportunity to visit offices.
- The Company shall provide financial support for training and exchange of information by directors.
- Directors who serve as members of the Audit and Supervisory Committee shall create upskilling opportunities through outside organization(s) as part of efforts to conduct appropriate audit operations.

- The Board of Directors shall create opportunities to explain the business strategies, etc. for each business on an annual basis, and shall provide external directors with necessary information on the Company's business issues, etc. on a continual basis.

Section 5: Dialogue with Shareholders

1. Constructive dialogue with shareholders and investors

Efforts shall be made to contribute to the sustained enhancement of corporate value through dialogue with investors, including shareholders.

Basic guidelines for the development of a structure and initiatives to promote constructive dialogue with shareholders shall be formulated.

<Basic guidelines for constructive dialogue with shareholders>

- Dialogue shall be held proactively in terms of both Investor Relations (IR) and Shareholder Relations (SR) in order to build a good relationship based on trust with shareholders, and thus promote understanding, share perspectives, etc.
- The director in charge of management administration shall be in charge of dialogue with shareholders and the General Affairs Department and the Corporate Planning Department shall carry it out. As appropriate, the Chairman and Representative Director (CEO), the President and Representative Director (COO) and other directors including external directors as well as corporate officers, etc. shall conduct meetings.
- In order to enhance dialogue with shareholders and investors, the General Affairs Department, Corporate Planning Department and Public Relations and Investor Relations Section shall coordinate with each other, and shall also share information with departments concerned across the organization.
- In addition to holding financial results briefings and small group meetings, periodic briefing sessions targeting individual investors shall be held, and an explanation of the mid- to long-term management vision, the business strategies and the outline of business performance shall be provided.
- Demands, opinions, questions, etc. obtained through dialogue shall be reported to the Chairman and Representative Director (CEO), the President and Representative Director (COO) and parties concerned as appropriate, and as necessary, reported at the meetings of the Board of Directors, etc., in order to reflect them in management.
- When promoting dialogue, fair disclosure shall be thoroughly implemented, and management of insider information shall be dealt with properly.
- In principle, nominal owners in the shareholder registry shall be identified twice a year. Also, efforts shall be made to get a grasp of shareholders who substantively own the Company's shares by conducting research to identify the beneficial shareholders.

2. Formulation and publication of business goals

When formulating and publishing management strategies and business plans, the specific goals and the gist of business strategies to achieve those goals shall be presented after accurately identifying the Company's capital costs.

Section 6: Other

1. Basic strategy for capital policy

- In order to enhance shareholder value, management shall be conducted by placing importance on "operating income" (growth index), "operating margins" (efficiency index) and "cash flows."
- The Company shall obtain a certain level of funding as necessary for capital expenditure and acquisitions etc. in order to realize sustained growth.
- The Company shall endeavor to enhance capital efficiency as well allow the flexible implementation of capital policy in line with changes in the business environment.
- When raising capital in a way that leads to large-scale share dilution, such capital raising shall be subject to resolution based on sufficient deliberation in the meetings of the Board of Directors after taking growth strategies, financial structure and other such factors into consideration, and shall be disclosed and explained in an appropriate manner.
- Where there is the risk of a conflict of interest between management and shareholders, external directors shall give necessary opinions and advice from an independent and neutral viewpoint.

<Shareholder return policy>

As the basic policy, the consolidated dividend payout ratio shall be 30%, and efforts shall be made to pay stable dividends.

2. Guidelines on strategic shareholdings

- Shares shall be held only in cases where the objective is to increase corporate value in a sustained manner.
- Returns after the cost of capital and the risk of strategic shareholdings shall be carefully examined and verified periodically by the Board of Directors by taking all factors into consideration with respect to the purpose and rationale of holding such shares from a medium- to long-term perspective.
- As a result of review, if the strategic shareholdings are deemed to lack economic rationale, such as when the book value has fallen by 50% or more or the corporate value of the investee has been significantly impaired, such shares shall be reduced or sold, etc. at an appropriate time while giving consideration to the impact on businesses and markets, following dialogue with the investee.
- The Company shall exercise the voting rights with respect to these shareholdings for each proposal after following the required internal due process upon considering the following matters:
- (i) Financial performance, (ii) Capital policies, (iii) Development status of corporate governance, (iv) Significant scandals, (v) Adequacy of the officers and (vi) Whether there has been improvement in its corporate value.

- In the event that the strategic holders of the Company's shares proposes to sell the Company's shares, the Company shall not hinder the sale, for instance, by implying a possible reduction of business transactions or acting reluctantly.

3. Corporate pension fund

- Management of the corporate pension fund shall be entrusted to an asset manager with professional expertise and abundant experience.
- Exercise of voting rights, etc. shall be left entirely up to the asset manager so that no conflicts of interest arise between corporate pension fund beneficiaries and the Company.

Established: December 16, 2021

Revised: June 23, 2022

Revised: June 21, 2023

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