

Conversation: An External Director's Perspective on Capcom's Governance



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

Kenzo
Tsujimoto



Takayuki
Morinaga

External Director,
Capcom Co., Ltd.

Board of Directors Decisions Based on Discussions Incorporating a Variety of Perspectives Make Responses to the Drastically Changing Business Environment Possible

Recognizing the need to respond to bewildering changes in the business environment, each Capcom division is moving forward with a variety of innovative changes involving business strategy and organizational structure. What kind of discussions have the Board of Directors, the maker of final determinations, been having? Capcom Chairman and CEO Kenzo Tsujimoto and External Director Takayuki Morinaga reflect on Board of Directors meetings in fiscal 2013.

Clearer Quantitative Management Targets

Morinaga When I was appointed to the board five years ago, I was prepossessed with the idea that Capcom, a company founded and owned by the same person, who was also chairman of the board, must be run autocratically. In reality, as the moderator of the Board, the Chairman creates an atmosphere that makes it easy for all in attendance to offer their opinions. At the monthly meetings, we external directors are able to shed light through our personal experiences and discuss our opinions freely and vigorously. Each meeting, detailed materials related to each item for discussion are handed out to ensure we thoroughly consider all items from a variety of angles, facilitating more active discussions.

Tsujimoto One role of the Board of Directors is to offer final judgment concerning proposals that have already been discussed at length in the executive divisions. To this end, decision-making materials are necessary. With external directors in particular, you are asked to make decisions only once a month at board meetings, so naturally we explain the issues associated with each proposal and why the executive divisions decided

they way they did. This is why I think we should have as much information as possible to understand the entire background of an issue.

Morinaga The materials handed out each meeting embody the visualization of quantitative management targets you are always promoting, making the company's situation extremely easy to understand for external directors. At meetings, I mainly address issues from the perspective of



maintaining financial health, moving forward with business plans and responding quickly to environmental changes by taking on challenges in new areas. The distributed materials provide detailed comparisons in terms of sales, the previous year's performance and planning, so even if we don't confirm everything at the

meeting, we can go over it later in our own time then go to the relevant departments directly with any questions we might have.

Looking Back at Important Agenda Items in Fiscal 2013

Morinaga This fiscal year, there was a proposal to transform the development organization from laterally structured divisions to a vertically-structured studio system based on medium- to long-term (60-month and 52-week maps) planning for each major title in response to the changing game market environment. I offered the opinion that although this proposal would probably improve operating efficiency, it might also create walls between divisions, so care should be taken from a managerial perspective to ensure Capcom's overall organization doesn't grow weaker as a result.



Tsujimoto I am thankful you pointed that out. Under this new system, each development division establishes a shared awareness; someone will be assigned to manage the development process on-site and coordinate closely with each studio. We try to avoid going overboard on specific optimizations.

Morinaga The topic that created the biggest discussion at a board meeting this year was the second straight year of downward revisions to earnings. The questions and accusations regarding the causes and future responses to the many costs and special losses responsible for the downward revision were intense.

Tsujimoto The biggest reason for the special losses was that we developed mobile games in the same way we develop consumer games. Mobile games, which have short development periods, can be ready for testing in as little as one or two months, but we took a long time tweaking the games before we were satisfied, which made matters worse. This was a marketing and operational error, one that we are presently making an all out effort to correct. In terms of operational visibility, we will seek outside assessments throughout the development process. If a project is behind schedule, support will be provided, even from divisions other than development, until it becomes a product we can sell.

Morinaga At that meeting, I raised a question regarding development cost increases. "The 66% cost to sales ratio is pressuring earnings, but what is causing this situation?"

Tsujimoto This was also because sales did not rise in line with development costs, in other words, the situation was caused by the inability to offer a product we could sell. The majority of unprofitable titles were developed by external outsourcers. Two years ago, we announced our intention to increase the ratio of titles developed in-house, and although we are hiring about 100 new graduates each year, until we have a sufficient number of staff, there are still a lot of titles that have been outsourced. At present, we are thinning out our outsourced lines and diverting those development funds toward internal development. By radically reforming internal development operations, we think we can significantly enhance cost performance compared to external outsourcing.

Handling Problems Quickly with Decisions from Top Management

Morinaga Regarding those special losses, one external director asked if they were the result of "not being able to respond to user and societal changes". I myself feel that, among big changes in the games market in terms of the shift from mainly package games to digital download contents (DLC) and the expansion of the mobile contents market, the time has come for Capcom, with its expertise in consumer game development, to undergo the necessary transformations.

Tsujimoto Without a doubt, in recent years, the game industry market has been expanding rapidly due to advances in online functions and the rise of the smartphone. We are seeing this rise across all regions. This time, we ended in failure trying to develop rich mobile content using consumer technologies. We obviously need to try something new. At the same time, we also need to review what we have done right up to now, like successfully pivoting from package to download sales. The truth is, there is a lot of trial and error involved.

Morinaga It's those kinds of situations when management's capabilities come into question. There's no guarantee measures implemented by the various divisions will succeed, but the important thing is to clearly identify the causes when things don't go right, discuss what measures to take and carry out improvements. With regard to organizational restructuring in particular, without decision-making from senior management, nothing will change.

Tsujimoto That's absolutely correct. You need to identify problem areas and deal with them as soon as possible to reform divisions and that includes development. This is something only senior management can do. As with the major improvements we achieved over the past two years after our analysis that our response to consumer DLC was late and we had mismanaged the mobile segment, we first need to stop the bleeding, and then perform drastic surgery. If we don't handle individual problems, they will become problems affecting the whole.

Correct Board of Directors Judgments Linked to Improved Corporate Value

Morinaga Mobile content initiatives are one key to the future growth of Capcom, but my personal view is that we also need to focus more on Asia. Considering how large the market potential, Asia should become a promising market for Capcom.

Tsujimoto Certainly, with the emergence of online game mega-corporations in China, I think the time has come to reconsider our traditional focus on market development in the United States and Europe.

Morinaga Amid this dramatically changing environment, it seems there are many things that Capcom "needs to change" to respond to these changes, but I also suspect there are some things that "should not be changed". For Capcom, the brand will be much stronger if you maintain your management philosophy and core management principles. This will also enhance your corporate value. The important thing is to be able to discern what needs to be changed and what does not.

Tsujimoto I hope for careful judgment as to whether the direction and ideas put forth by the executive divisions are misdirected and whether the judgments of the board are incorrect from the perspective of corporate governance. In other words, I appreciate the important responsibility placed on management. My job requires me to create a system enabling Capcom to grow in future generations. To that end, I ask for your continued cooperation.

Principal Discussions at Board of Directors Meetings in Fiscal 2013

At Capcom Board of Directors Meetings, three external directors take the lead in offering aggressive opinions and advice to ensure management transparency and corporate health. Through lively and detailed discussions about which direction the company should advance, we strive to realize a corporate governance function able to sufficiently promote growth strategies as necessary. This page provides examples of heated discussions related to two areas where external directors demand improvement.

Item 1

(Convened on April 18, 2013)

Measures Related to Earnings Outlook Revisions During the Fiscal Year Ended March 31, 2013

Morinaga (in response to an explanation) Strengthening the digital strategy is an issue, but are there concrete measures and plans for this?

Ichii Experience gained through success with package games up to now has become a hindrance to moving forward into the new digital domain, so we were late to respond. That being said, we have been successful in the digital domain with "Monster Hunter Frontier" among other mobile and social titles. Going forward, the policy is to conduct development that makes effective use of in-house resources by integrating Osaka development capabilities and Tokyo online expertise on titles such as "deep down" for PS4.

Morinaga With respect to the postponed development of "Title A", do you think there are essentially no problems associated with taking collective responsibility?

Oda Chairman Tsujimoto made the same point. Executive management has a responsibility because we are the ones who approve the development. I think Abe in Overseas Business, Ichii in Consumer Games Business and myself as CFO in particular need to pay more careful attention.

Matsuo Japan is an anomaly in terms of the present status of social games, but I don't think this will always be the case. Looking around the world, we see the situation is different from Japan. Regarding the

strategy formulated in 2009, despite successful execution, we didn't achieve anything. Or maybe we didn't execute the strategy correctly? It's never really been clear who is responsible for such outcomes up to now. I think we need to do a better job of identifying who is responsible for significant losses due to postponements, write downs and decisions made during development to make better decision that we have up to now.

Ichii I understand.

Chairman Tsujimoto This problem has arisen because we aren't able to hedge the risks inherent in production and marketing management. Regardless of the increase in sales, profits aren't on the rise because, frankly, our operational structure was not optimal. We do have a sound management system; it is vital we quickly respond to management issues going forward.

Yasuda Given the rapidly progressing revolution in information technology, the pace of change is too fast and its impacts are huge; I think our response has been insufficient thus far. Listening to Chairman Tsujimoto's points and President Tsujimoto's determination, I think we need to promote improvements addressing the factors contributing to these problems as we move forward.



Note: Light blue highlights indicate external director comments.

Mr. Iechika was appointed to the board as an and auditor external director for five years beginning in 2002. Legally, he is not an external corporate auditor, but in practice, he conducts audits in the same capacity as an external corporate auditor.

Item 2

(Convened on November 28, 2013)

Measures Related to the Auditing Operation (Corporate Auditing) Officer's Verification Results Report in the First Half of Fiscal 2013

Iechika (in response to the report) The auditing operation (Corporate Auditing) system is unique to Capcom, but I don't understand how it is useful for corporate operations going forward. Although the report indicated three cases where we incurred special losses, I think there are limits to checking everything and making recommendations for improvement from the top down. I'd like to see an organizational response, one involving the creation of a system for collecting insights from the front lines and widely disseminating them to benefit the common understanding.

Chairman Tsujimoto As the report only lists problem areas, there are conclusions but no details, which is itself a problem. Inasmuch as possible, we need to improve this report by conducting a more complete auditing operation (Corporate Auditing) and collecting feedback directly from the front lines. People on the front lines conduct their duties with a firm belief that they don't make mistakes, so it is difficult to solicit opinions that consider one's sense of personal responsibility regarding the planning and targets for each title they are involved with. Individually, they have a sense of their own responsibilities, but only management can see the big picture. Thus, the only response we can provide at present is top down leadership. In terms of a supplement to the report details, up to now we have promoted overseas outsourcing, but problems involving lack of control due to the low level of onsite development capabilities and poor management systems have resulted in the recommended improvement of shifting production in-house.

Iechika This report does not address subcontracting-related issues, it focuses on operational problems. The Board of Directors meeting

presents us with an opportunity to discuss this auditing operation (Corporate Auditing) report, so I'd like to see movement toward better corporate management.

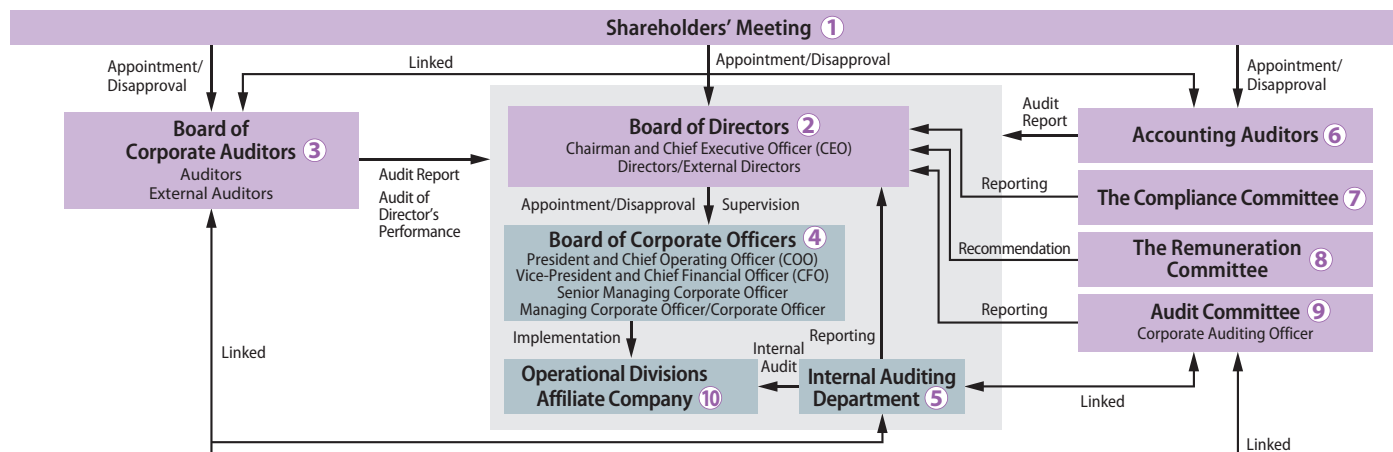
Matsuo Regarding the content of this latest report, as already reported at the Board of Directors meeting, I am aware of responses related to organization structure changes, 60-month and 52-week maps and the shift to in-house production. In addition to poor communication between marketing and development on "Resident Evil 6", some products did not meet market needs. At present, although we are proposing improvements, I wonder if our response is one that takes into account movements in the market overall? I would like to hear what you have to say on this point.

Ichii There were two problems with "Resident Evil 6". First, there were problems with consistency in terms of overseas marketing. Second, there was a problem with the overall game design. As with other domestic game makers, up to now we have promoted an approach where we make the game up as we are developing it. In the event we need to make revisions during the development process, we have had to change all aspects of the process, resulting in cases where a small revision ended up compromising the entire project. In terms of sequels, conducting repeated verifications of a game's essential elements using a small number of people guarantees quality and keeps costs low. It also enables us to focus resources and advance mass production planning. We used this process with "Resident Evil 6" but we did not create a system able to make use of development capabilities and local subsidiaries idea, resulting in the failure to achieve projections. We are verifying the causes of these failures and moving forward with improvements.



Corporate Governance Structure and Initiatives

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



Corporate Governance Structure

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

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

1 Shareholders’ Meeting Convened on June 16, 2014

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

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

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

We have also made it possible for shareholders to exercise their voting rights over the Internet using a computer or smartphone. In addition, we participate in an electronic voting rights exercise platform for institutional investors.

Three resolutions were brought up for discussion at this year’s shareholders’ meeting, of which two, the “Proposed Appropriation of Retained Earnings” and “A Partial Amendment to Articles of Incorporation”, were approved and passed.

For more details, please see “Shareholders’ Meeting Resolutions” on page 51.

2 Board of Directors Convened 15 Times in Year ended March 31, 2014

Management Decisions that Incorporate Outside Opinions

The Board of Directors consists of 10 members, meets regularly once a month and holds extraordinary meetings when necessary. **Three of the 10 members are external directors**, whose opinions, advice and feedback invigorate and improve the transparency and reliability of the Board of Directors while strengthening the management monitoring function. During the period under review, the Board of Directors met 15 times, engaging in lively discussions concerning reported items and matters for resolution. Moreover, we established a Remuneration Committee chaired by an external director to determine fair and appropriate compensation for directors. Also, two external directors were appointed as independent directors to avoid any conflict of interest among general shareholders in terms of decision-making.

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

For more on external directors, please see “External Directors and Auditors” on page 51.

Officer Remuneration (Year ended March 31, 2014)

Category	Paid Personnel	Total Remuneration
Directors (External Directors)	12 (3)	¥514 million (¥32 million)
Corporate Auditors (External Auditors)	4 (2)	¥52 million (¥24 million)
Total	16 (5)	¥566 million (¥56 million)

Notes:

- The above includes two directors who resigned at the conclusion of the 34th General Shareholder’s Meeting held on June 18, 2013.
- The above includes director’s bonuses of 48 million yen (external directors excluded) for business activities in the fiscal year
- At the 32nd General Shareholder’s Meeting held on June 17, 2011, a resolution was passed limiting director’s remuneration to no more than 650 million yen (or no more than 50 million yen for external directors) per year. For corporate auditors, a resolution was passed limiting remuneration to no more than 85 million yen per year at the 33rd General Shareholder’s Meeting held on June 15, 2012.


3 Board of Corporate Auditors Convened 15 Times in Year ended March 31, 2014

Accounting Auditors Partner with Internal Auditing Department to Monitor Management

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

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

Moreover, to improve the effectiveness and efficiency of the auditing function, the Audit Committee, Internal Auditing Department and auditors mutually coordinate to exchange views and information when necessary.

 For more on external auditors, please see "External Directors and Auditors" on page 51.

4 Board of Corporate Officers Convened 12 Times in Year ended March 31, 2014

Executing Operations Based on a Clear Management Policy

The Board of Corporate Officers is composed of 21 members selected by the Board of Directors. Under the supervision of the Board of Directors, corporate officers promptly and precisely execute business activities based on management policy determined by the Board of Directors, taking agile and appropriate response to rapid changes in the management environment when deemed necessary.

5 Internal Auditing Department

Ensuring and Verifying Legal Compliance and Operating Efficiencies

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

6 Accounting Auditors

Ensuring and Verifying Accounting Transparency

Capcom has engaged KPMG AZSA LLC for financial audits as prescribed by the Companies Act and financial audits as prescribed by the Financial Instruments and Exchange Law. There is no relationship involving financial or other interests between Capcom and this audit corporation or the individuals at this firm who perform audits at Capcom.

Auditor Remuneration (Year ended March 31, 2014)

	Audit Operations	Non-Audit Operations
Delivery company	¥40 million	—
Consolidated subsidiary	¥2 million	—
Total	¥42 million	—

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

Note 1: Assistants to certified audit operations
 Certified public accountants: 14; Others: 10 (those who have passed the certified public accountant exam, persons in charge of system audits and pension actuaries)

7 The Compliance Committee Convened Four Times in Year ended March 31, 2014

Focusing on Compliance as an Important Management Issue

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

8 The Remuneration Committee Convened Two Times in the Fiscal Year Ended March 31, 2014

Reporting Details of Director Compensation

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

9 Audit Committee Convened 44 Times in Year ended March 31, 2014

Auditing Operations from a Risk Management Perspective

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

10 Affiliate Companies

Ensuring Effective Government through Close, Group-wide Collaboration

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

Corporate Governance Structure and Initiatives

External Directors and Auditors

Using External Perspectives to Ensure Effective Governance

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

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

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

Board of Directors/Board of Corporate Auditors Rate of Attendance (Year ended March 2014)

	Name	Independent director	Reasons for selection	Board of Directors/Board of Corporate Auditors Rate of Attendance (Year Ended March 2014)
External Directors	Hiroshi Yasuda	○	Appointed with overall consideration for character, business acumen and successive appointments to important posts	Board of Directors Attended 14 of 15 meetings (93.3%)
	Makoto Matsuo		A legal professional able to provide precise guidance and advice and ensure the effectiveness of corporate governance	Board of Directors Attended 14 of 15 meetings (93.3%)
	Takayuki Morinaga	○	Appointed with overall consideration for management experience at other companies, professional career, track record, and personal connections in the business world	Board of Directors Attended 15 of 15 meetings (100%)
External Auditors	Yoshihiko Iwasaki		It was determined that his professional experience in tax administration would be of benefit to the company	Board of Directors Attended 15 of 15 meetings (100%) Board of Corporate Auditors Attended 15 of 15 meetings (100%)
	Akihiko Matsuzaki		Appointed to leverage the wealth of experience and knowledge accumulated during many years in law enforcement administration to help the company further enhance its corporate governance	Board of Directors Attended 15 of 15 meetings (100%) Board of Corporate Auditors Attended 15 of 15 meetings (100%)

Shareholders' Meeting Resolutions

The following presents the number of votes in favor, opposed or abstained for the matters to be resolved at the year ended March 31, 2014, general shareholders' meeting, the requirements for the resolutions to be passed and the results of voting.

Shareholders' Meeting Resolutions

Resolutions	Approval Votes	Votes Opposed	Abstained Votes	Approval Rate (%)	Voting Results
First proposal: Proposed Appropriation of Retained Earnings	452,130	255	0	99.35	Approved
Second proposal: A Partial Amendment to Articles of Incorporation	451,748	637	0	99.27	Approved
Third proposal: Renewal of Countermeasures in response to a Large-Scale Purchase of Shares of the Company (Takeover Defense)	215,731	236,404	250	47.41	Not approved

Notes:

- Conditions for each proposal to be passed
 - A majority of shareholders in attendance approved the first and third proposal.
 - The second proposal could be approved with at least two-thirds of the company's shareholders with voting rights in attendance and with a majority approval of the voting rights of the applicable shareholders in attendance.
 - The percentage of approval is calculated according to the following formula.

$$\text{Percentage of approval} = \frac{\text{number of voting rights for approval (votes exercised prior to the meeting + certain shareholders in attendance on the day of the meeting)}}{\text{number of votes (votes exercised prior to the meeting + shareholders in attendance on the day of the meeting)}}$$
- Reason why certain voting rights of shareholders in attendance were not added to the total number of voting rights
 The total confirmed number of votes in approval from the votes exercised prior to the meeting and certain shareholders in attendance on the day of the meeting fulfilled the requirements for each proposal. As a result, the number of voting rights for which confirmation was not made in terms of approval, opposition or abstention from shareholders in attendance on the day of the meeting were not counted because the proposals were legitimately approved in accordance with the Companies Act of Japan.

Third-Party Assessment

Promoting More “Visible” Governance

An analysis of an assessment performed by a third-party organization into the validity and effectiveness of Capcom’s corporate governance shows that the company ranked 102nd among 3,370 listed companies in Japan in the “NEEDS-Cges” quantitative corporate governance assessment developed by Nikkei Digital Media, Inc.

“NEEDS-Cges” has an established reputation as a system that quantitatively assesses corporate governance using scores on a scale of 0 to 10 for eight categories, including “capital efficiency”, “information disclosure”, and “shareholder and capital composition”, among others, assigned based on some 130 indicators calculated from data of publicly released company documents, such as financial reports.

Capcom’s total score was 8.29 points, placing us in the top 3.0% of Japan’s listed companies. Our score also exceeded the average for all listed companies and for the industry, at 5.44 points and 7.17 points, respectively.

Compared to last fiscal year, our score increased by 0.46 points. This was mainly because of the increase in our “capital efficiency” rating due to improved cash flows, as well as an increase in our “stock market evaluation” rating, including capital gains and other stock returns. We continued to receive the full 10 points for “shareholder returns”, “shareholder and capital composition” and “information disclosure” important for corporate governance.

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

Details of Capcom’s Corporate Governance Assessment

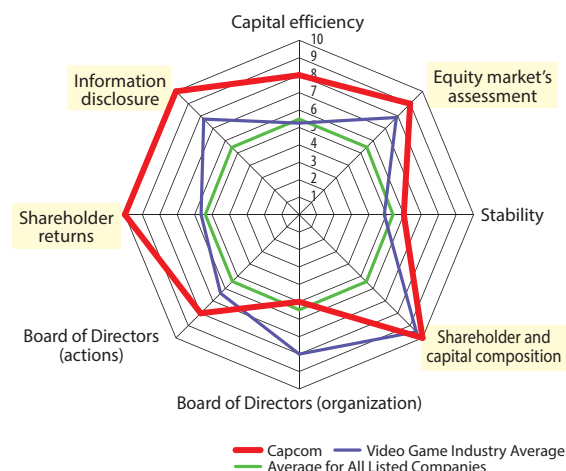
Categories	Fiscal 2013 Ratings	Fiscal 2014 Ratings	
Total Score	7.83	8.29	↑
Capital efficiency	6	8	↑
Equity market’s assessment	8	9	↑
Stability	5	6	↑
Shareholder and capital composition	10	10	↔
Board of Directors (organization)	5	5	↔
Board of Directors (actions)	8	8	↔
Shareholder returns	10	10	↔
Information disclosure	10	10	↔
Rank	191	102	↑

102/3,370 Top 3.0%

Looking ahead, we will make improvements that take this kind of external data into consideration to earn an even stronger assessment, and further promote the external visibility of our governance, such as posting this data on our corporate website.

Third-Party Assessment Results of Capcom’s Corporate Governance

Comparison of the Industry Average and the Average for All Listed Companies



Details of Highest Rated Categories

Highest Rated Categories	Score	Areas that Received Particular Notice
Equity market’s assessment	9	Tobin’s Q-related values PBR-related values
Shareholder and capital composition	10	Ratio of institutional investor shareholdings Ratio of foreign investor shareholdings Cross-shareholding ratio
Shareholder returns	10	Shareholder return ratio Dividend payout ratio (non-consolidated)
Information disclosure	10	Changes in accounting policy Date of general shareholders’ meeting Corporate website

* Source: NEEDS-Cges from Nikkei Digital Media Inc.

Internal Management Structure and Initiatives

Internal Control System Status

Strengthening Risk Management through the Development of Our Internal Control System

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

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

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

2. Internal Control over Financial Reporting

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

3. Develop a System to Maintain Appropriate Business Practices

(1) Information Management and Storage

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

(2) Risk Management

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

(3) Efficient Execution of Business Operations

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

(4) Legal Compliance System

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

(5) Operational Audit Structure

In accordance with auditing policies, the execution of operations by Board of Directors are audited, with recommendations for improvements indicated in auditor reports as necessary to ensure internal controls function effectively. To enable auditors to perform their duties smoothly and appropriately, two employees are selected with the consent of auditors to provide assistance.

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

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

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

Initiatives to Strengthen Compliance

Focusing on the Viability and Effectiveness of Our Compliance System

As noted on page 50, Capcom has established a Compliance Committee consisting of external directors, some of whom are lawyers, who regularly report to the Board of Directors and issue reminders and recommendations. A secretariat was established in the Internal Controls Department, which works to enhance the viability of the entire Capcom Group compliance system by planning and operating the internal compliance system and functioning as the department that provides consultations and receives notifications to prevent legal violations before they occur.

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

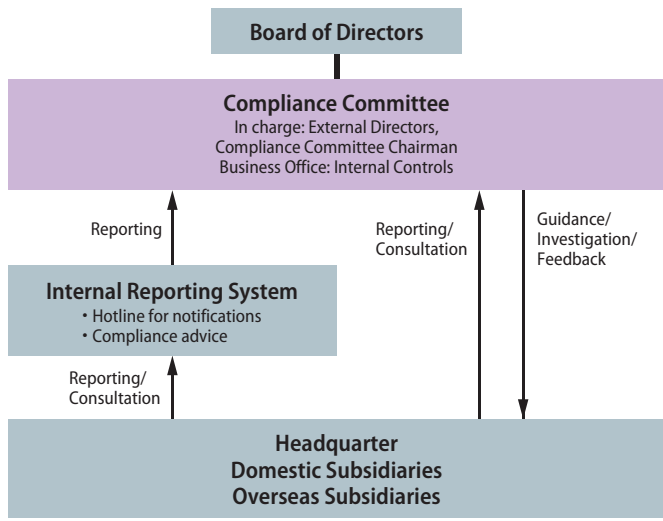
During the period under review, the Compliance Committee met four times and conducted compliance training sessions for new employees. Also, "e-learning sessions on legal compliance and personal information protection rules" were given to all employees.

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

■ Status of Training Programs (Year ended March 31, 2014)

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

■ Compliance Structure



Periodic Compliance Checks

Compliance Status Checked Regularly

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

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

Compliance Hotline

Special Hotline Set Up for Compliance Issues

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

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

Information Security Initiatives

Building Mechanisms for the Appropriate Protection of Information Assets

As a company primarily engaged in the planning and development of software, Capcom is an environment where the latest information technology is always in use. Compared to companies in other lines of business, we face relatively high information security risks.

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

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

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

Furthermore, we are in the process of patching known security holes. Over the next few years, we will implement measures to prevent information leaks, which will include (1) identification of information leak risks, (2) creation of an early response structure to respond to information leaks and (3) establishing a response process to minimize damage in event information is leaked. Specifically, we will (1) reconfirm the importance of information assets held by each department with the aim of clarifying critical risks, (2) audit the information log and create a structure for the quick detection of abnormalities and (3) make an effort to utilize our expertise to enhance our internal response capabilities.

To improve security literacy among all our employees, we are implementing internal training to raise awareness and educate on the topic of information leak risks. Through these and other initiatives, Capcom is striving to create a structure for making an appropriate first response in the event information is leaked or an accident occurs.

Business Continuity Plan (BCP) Initiatives

Strengthening Our Crisis Management System

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

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

Risk Management

Various Risk Management Efforts to Achieve Stable Earnings

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

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

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

Risks Affecting Operating Results

Capcom is exposed to risks which may affect its operating results, financial status, stock price and its operational environments, including but not limited to those stated in writing below, which are based on information that is available as of March 31, 2014 and certain assumptions by the Capcom Group that serve as the basis of rational judgments.

1. Risks Relating to Digital Contents

(1) Increase in Development Costs

In recent years, home video games have increased in sophistication and functional diversity due to computer graphics and Internet technology initiatives, and the development costs have tended to increase. Therefore, there is a risk that the development costs may become irrecoverable with respect to some software titles, including those which have failed to fulfill the sales plan.

(2) Obsolescence of Game Software

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

(3) Dependency on Popular Series

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

(4) Violent Scenes and Depictions

Some of our popular software titles have provocative graphics and

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

(5) Seasonal Fluctuations

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

(6) Trends in Proliferation of Home Video Game Consoles

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

(7) License Agreements with Console Manufacturers

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

(8) Technological Enhancement of Home Video Game Platforms

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

(9) About the Used Software Market

Currently, used software accounts for approximately one-fourth of the domestic software market. Also, the flood of pirated copies in the Asian market is becoming increasingly serious. As a result, it is gradually becoming more difficult to recover development costs. There is a risk that it may adversely affect our operating results, depending on the trends in the market.

(10) Internet Market Expansion, etc.

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

2. Risks Relating to Other Businesses

(1) Arcade Operations

There is a risk that customer traffic and the unit value of customers may be adversely affected by the popularity of installed machines,

diversification of entertainment, falling birth rate, intensified competition and changes in the market environment and other such factors.

(2) Amusement Equipments

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

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

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

3. Risks Relating to Overseas Operations

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

4. Risks Relating to Financial Status and Operating Results

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

5. Risks Relating to Development Technologies

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

6. Legislative Risks

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

7. Risks Relating to Intellectual Property Rights

The development and distribution of game software involve intellectual property rights such as patent rights, trademark rights, utility model rights, design rights, copyrights, etc.

Therefore, there is a probability that the development and distribution of game software may become difficult if we cannot acquire intellectual property rights. Also, one cannot deny the risk of a third party’s intellectual property rights being violated by us. There is a risk that they may adversely affect our operating results.

8. Risks Relating to Lawsuits

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

9. Risks Relating to Information Leaks

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

10. Development and Assurance of Human Resources

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

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

Creating Relationships with Shareholders and Investors

Initiatives for the General Shareholders' Meeting

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

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

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

Basic Policies Regarding IR Activities

1. Disclosure Policies

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

To this end, our basic policy for IR activities involves (1) the establishment of a responsible investor relations framework, (2) the thorough disclosure of information, and (3) the creation of a system for the timely disclosure of information to enhance management transparency.

2. Disclosure Criteria

Capcom provides timely disclosure in accordance with the Securities and Exchange Law and other regulations including the "Rules on Timely Disclosure of Corporate Information" by Issuer of Listed Security (hereinafter Timely Disclosure Rules) stipulated by the Financial Instruments and Exchange Law and the Tokyo Stock Exchange. It is our policy to disclose as much information as possible, including the disclosure of information not required by the Timely Disclosure Rules, to accommodate our investors' needs.

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

3. Quiet Period

To prevent the unauthorized disclosure of quarterly earnings information prior to official announcements, Capcom has established a quiet period starting one month prior to the scheduled earnings announcement. During this period, we refuse all inquiries relating to our business performance. However, if significant changes to our earnings outlook are anticipated during the quiet period, we will disclose this information pursuant to the Timely Disclosure Rules.

Third-Party Assessment of IR Activities

High Praise for Proactive IR Initiatives

In recognition of our ongoing pursuit of timely and appropriate information disclosure, our IR activities and various IR tools have received a number of awards from third-party organizations. This fiscal year, Capcom won an award at the Nikkei Annual Report Awards 2013, our IR website was ranked number one in the Asia-Pacific region IR website category in the IR Global Ranking 2013 and we were selected by Daiwa

Investor Relations for the Internet IR Grand Prize.

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

Making Use of Shareholder and Investor Opinions

Incorporating Results of Research on Investor and Analyst Understanding of Capcom into IR Activity Objectives

Capcom's Investor Relations Section conducts a perception gap study every year targeting investors and analysts in Japan and overseas. Being aware of investor perception gaps with regard to management objectives, business strategy and shareholder's return enables us to fine-tune corporate management and IR activities. Questionnaires are also given to attendees at our semiannual earnings announcements and individual investor briefing sessions, which we make proactive use of as one management criterion to determine stock market opinion.

Specific examples of how this information is used include (1) reviews of medium-term business goal indices, (2) reviews of business strategy, (3) enhancements to shareholder's return (dividends + treasury stock), (4) reviews of content and timing of information disclosure and (5) Group meetings with management.

Website Utilization

IR Activities Making Use of Our Website

Since 2001, Capcom has made proactive use of its corporate website as a tool for disseminating information pertaining to IR activities. The main reasons for this are to emphasize the importance of information disclosure procedures within corporate governance, to ensure fairness for a wide range of stakeholders, including investors, analysts, the mass media and job-seekers, and because it easily ensures information is available for inspection immediately in Japan and over 200 countries worldwide. Capcom's corporate website is positioned as our most cost-effective tool from the perspective of printing and shipping costs. <http://www.capcom.co.jp/ir/english/>



IR Team

Full-Time Staff Engaged in a Wide Variety of Activities

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

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



Investor Relations Staff

Public Relations & Investor Relations Section

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

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

CSR Initiatives

Educational Assistance as a Game Company

Implementing Independent Education Programs

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

As part of our corporate social responsibilities as a game software publisher, we believe in fostering an understanding about video games by inviting elementary and junior high school students to visit our company and proactively participate in classroom activities at schools. We conduct two highly acclaimed programs: the “Career Education Support program” providing an overview of the company, focusing on the rewards and challenges of developing video game software; and the “Game Literacy Education Support program” teaching students how to develop a healthy relationship with video games. We also launched a new educational program focused on the “Career Education Support program”. This program represents our commitment to continually improve our educational assistance based on feedback received from educators.

As a result, as of March 31, 2014, 1,853 students from approximately 250 schools had visited the company, and Capcom school visits have been held for a cumulative total 4,881 students in 48 schools, including Hatsushiba Ritsumeikan Junior High School in Osaka.

This fiscal year, Capcom developed a new program targeting elementary and middle school students to help prevent the recent trend toward declining math skills among children. This new program provides students with experiences designed to prove that “the study of mathematics is not a waste of time—you will need it when you get older”, by introducing developers who use arithmetic and mathematics regularly in the workplace. Capcom will continue to incorporate feedback from schools and advice from university education specialists to better meet educational needs in promotion of CSR activities.

Capcom School Visit Feedback

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

- I learned that games are jam-packed with a variety of ingenious ideas. (Elementary school student)
- I thought I would never use mathematics, but knowing they are used in all kinds of areas, I decided to study mathematics harder from now on. (Middle school student)
- It made me realize what students are learning at school today are the skills necessary for entering society in the future. It was also fun, since the subject matter involved games, something kids love. (Elementary school parent)
- As this was just one class, there were no dramatic changes, but listening to the students, I thought they seemed more comfortable with mathematics than before. (Middle school teacher)

Regional Invigoration

Use of Popular Game Characters Contributes to Higher Voter Turnout and Maintenance of Security

In addition to CSR activities that support education, Capcom also engages in CSR activities using popular game content to contribute to regional invigoration.

In 2013, Capcom collaborated with the Tsuchiura City Museum in Ibaraki Prefecture on the “Sengoku BASARA” special exhibition “The BASARA’s Armory: The Armor and Blades of Busho Who Tore Across Sengoku”. Featuring illustrations and panels inside the museum and a stamp rally at tourist facilities around the city, the special exhibit drew over 10,000 visitors, a first since the museum’s opening. Again in 2014, we used characters from this same series to raise awareness and aid prevention of vehicle-related theft in Osaka, Kyoto and Hyogo prefectures. This was in response Osaka once again experiencing the worst vehicle-related thefts in Japan, and to help realize a lower number of crimes in Kyoto and Hyogo prefectures. 10,000 awareness posters and 250,000 advertisements were distributed at public facilities to inform as many people as possible in these three Kinki

region prefectures. Going forward, Capcom will continue to proactively engage in CSR activities as a good corporate citizen and maintain societal trust by contributing to regional invigoration and improved public safety.



“The BASARA’s Armory: The Armor and Blades of Busho Who Tore Across Sengoku” poster

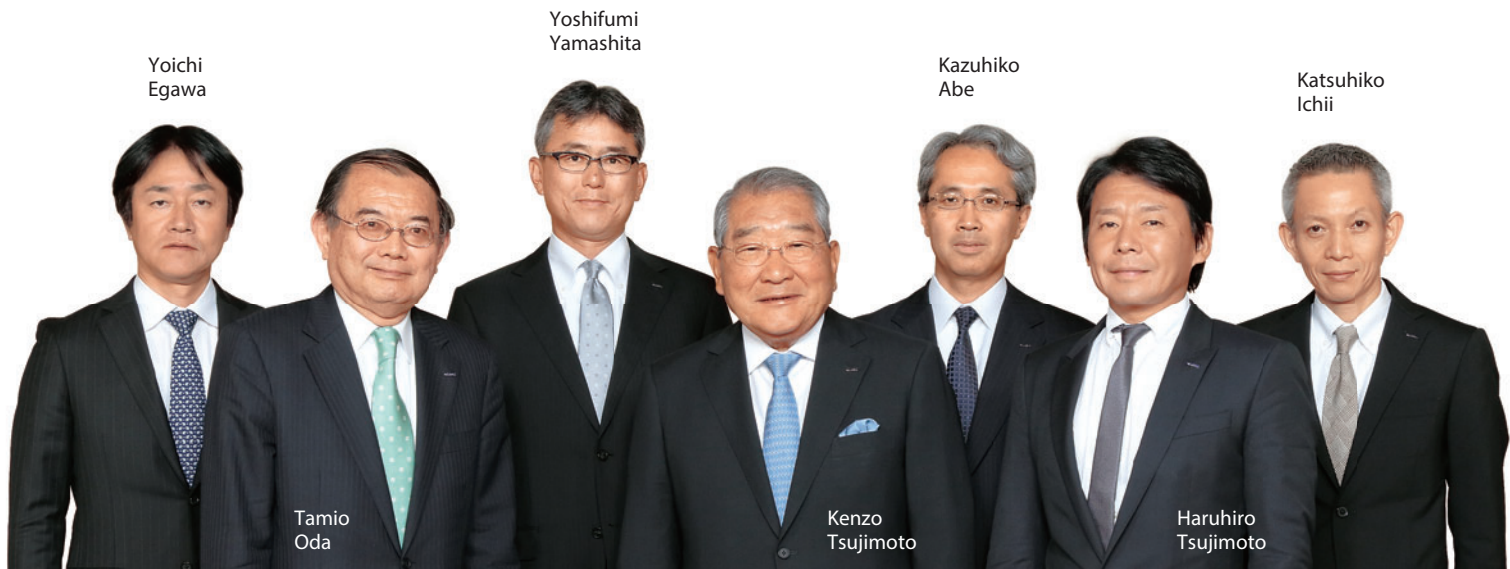
Vehicle-related theft damage prevention awareness poster

Employee Diversity

In recent years, Capcom has been emphasizing diversity and the creation of employment opportunities regardless of race, religion, disability, gender or age. Accordingly, we have been engaged in (1) improving the work environment for women and (2) proactively hiring foreign workers. Regarding (1), we provide maternity leave and shortened working hour systems to support women who continue to work after getting married or giving birth. Women represent 20% of the development staff in game companies where men typically are in the majority. We are also considering creating a daycare facility inside the R&D building in 2016 in an aim make more proactive use of women. As for (2), we are focusing efforts on the employment of foreigners with an overseas development perspective and will aggressively recruit programmers from Dalian, China. Currently, foreigners make up 5% of the development staff. Going forward, we will create a system for improving motivation in an attempt to increase the ratio of foreign employees, including the creation of career paths and the promotion of foreign managers.

For more details, please see page 15 of “The Latest Development Report”.

Directors and Corporate Auditors



Yoichi
Egawa

Yoshifumi
Yamashita

Kazuhiko
Abe

Katsuhiko
Ichii

Tamio
Oda

Kenzo
Tsujimoto

Haruhiro
Tsujimoto

Directors

Kenzo Tsujimoto

Chairman and Chief Executive Officer (CEO)

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

Haruhiro Tsujimoto

President and Chief Operating Officer (COO)

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

Tamio Oda

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

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

Kazuhiko Abe

Director and Executive Corporate Officer

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

Yoshifumi Yamashita

Director and Executive Corporate Officer

Feb. 1992 Entered into the Company
Apr. 1997 General Manager, Business Dept. in R&D Division of the Company
May 2001 Corporate Officer and Head of Budget Control Office of the Company
Jul. 2003 Managing Corporate Officer, Head of Creative Division of the Company
Apr. 2011 Executive Corporate Officer (to present), Head of Human Resources, IT and Research & Development Management
Jun. 2011 Director, in charge of Human Resources, IT and Research & Development Management of the Company
Oct. 2012 Director, in charge of General Affairs, Legal, Human Resources and IT Division of the Company
Jul. 2014 Director, in charge of General Affairs, Legal and Human Resources of the Company (to present)

Katsuhiko Ichii

Director and Executive Corporate Officer

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

Yoichi Egawa

Director and Executive Corporate Officer

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



Takayuki Morinaga

Hiroshi Yasuda

Makoto Matsuo

External Directors

Takayuki Morinaga

Director

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

Hiroshi Yasuda

Director

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

Makoto Matsuo

Director

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

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



Akihiko Matsuzaki

Yoshihiko Iwasaki

Kazushi Hirao

Masanao Iechika

Corporate Auditors

Akihiko Matsuzaki

Corporate Auditor

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

Yoshihiko Iwasaki

Corporate Auditor (full-time)

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

Kazushi Hirao

Corporate Auditor (full-time)

Apr. 1975 Entered into Hitachi Zosen Corporation
Apr. 1987 Assistant Manager of the said Company
Jun. 1988 Entered into the Company
Apr. 1997 General Manager of Overseas Business Dept. of the Company
Jul. 1999 Corporate Officer, General Manager of Overseas Business Dept. of the Company
Oct. 2002 General Manager of General Affairs Dept. of the Company
Apr. 2004 Senior Manager of Investor Relations Section of the Company
Jun. 2004 Corporate Auditor of the Company (full-time) (to present)

Masanao Iechika

Corporate Auditor

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

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