

The Head of Development Discusses
Human Resources Strategy

Development

Yoichi Egawa

Director and Executive Corporate Officer,
In charge of Consumer Games
Development and Pachinko & Pachislo/
Amusement Equipments Business
Division of the Company





The Foundation and Policies that Produce Both World-Class Quality and Profitability

We'll develop a system to sustain development's recent successes

The thinking that lies at the foundation of Capcom's development ideals and structure is twofold: first, if the game isn't good, it won't sell; second, if you don't pursue global brands, you won't survive in the game industry.

It's been about two years since I took charge of development. During this time, I've emphasized my personal motto of "never run away, never give up," and have been able to tackle the issue of ensuring world-class quality, which is a big win for us. Moreover, within the development organization overall, a more conscious focus on medium-term branding on the part of operations has

begun to take effect, and we are making progress on developing a structure for stable growth.

In addition to existing issues, the mission I will focus on going forward will be (1) producing both world-class quality and profitability, (2) creating hit mobile titles, (3) addressing development of esports and a long-term sales model, and (4) strengthening network technology for multi-player competition and the like.

In manufacturing, quality and budget are often at odds, but our developers have a great deal of artisan pride, which gives them the aptitude for creating hit titles. I will fulfil my responsibility of balancing their ideals with profitability.

Achieving this mission will require expansion of development resources (personnel), so I will continue to pour effort into hiring and training developers.

Main Pipeline (Plan for Fiscal Years 2016-2018)

Brand	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ending March 31, 2019 (plan) <small>Excludes unannounced titles as of August 31, 2018</small>
Resident Evil	<ul style="list-style-type: none"> ● Resident Evil 7 biohazard ● Resident Evil 4* ● Resident Evil 5* ● Umbrella Corps 	<ul style="list-style-type: none"> ● Resident Evil Revelations* ● Resident Evil Revelations (NSW) ● Resident Evil Revelations 2 (NSW) ● Resident Evil 7: biohazard Gold Edition 	<ul style="list-style-type: none"> ● Resident Evil 7: biohazard Cloud Version (NSW) ● Resident Evil 2
Monster Hunter	<ul style="list-style-type: none"> ● Monster Hunter XX (Double Cross) ● Monster Hunter Stories 	<ul style="list-style-type: none"> ● Monster Hunter: World ● Monster Hunter Generations Ultimate (NSW) ● Monster Hunter Stories (ver. 1.2) 	<ul style="list-style-type: none"> ● Monster Hunter: World (PC)
Street Fighter		<ul style="list-style-type: none"> ● Ultra Street Fighter II: The Final Challengers ● Street Fighter V: Arcade Edition 	<ul style="list-style-type: none"> ● Street Fighter 30th Anniversary Collection
Devil May Cry		<ul style="list-style-type: none"> ● Devil May Cry HD Collection* 	<ul style="list-style-type: none"> ● Devil May Cry 5
Mega Man		<ul style="list-style-type: none"> ● Mega Man Legacy Collection 2 	<ul style="list-style-type: none"> ● Mega Man Legacy Collection (NSW) ● Mega Man Legacy Collection 2 (NSW) ● Mega Man X Legacy Collection ● Mega Man X Legacy Collection 2 ● Mega Man 11
Total	6 titles	11 titles	Over 10 titles

Notes 1. *Indicates rereleases for current generation game consoles 2. NSW: Nintendo Switch

The Head of Development Discusses Human Resources Strategy

Investment in Human Capital

Strengthening the Development Organization and Human Resources

Basic Approach to Human Capital

The game industry continues to evolve year after year. A major key to survival will be adapting to advances in communication speeds and screen resolution.

Further, the most important factor in being able to quickly adapt to the ever-increasing scale of game development, while at the same time bolstering the lineup of major titles needed to provide stable growth, is building up our personnel base. To this end, we have hired 100 developers every year since fiscal 2011, with the goal of maintaining a workforce of 2,500 developers by fiscal 2021.

The reason we choose in-house production over subcontracting, despite increased fixed costs, can be found in advancements in and the growing scale of game development. We judged that, in addition to there being few subcontractors able to provide us with the necessary support, creating an environment of friendly competition is essential to world-class development and technological capabilities.

Based on the above policy, around 90% of our development human resources are allocated to the Digital Contents business.

Human Resources Development System

To ensure the quality and quantity of our human resources, particularly for new graduates, we have introduced unique training and mentoring systems to increase both soft skills and technical skills, establishing a practical means of developing young employees to become fully self-sufficient by their third year of employment. As for mid-career and younger employees (core development framework), we selectively promote talented personnel in key areas and cultivate them through title development to help them grow into "core members" who will lead overall game development. Occasionally, our employees must cope with failure, and sometimes they will hit a wall, but a wealth of experiences is the source of personal growth.

We will look into brand-based human resources allocation in order to develop an organizational structure specialized for brands. The skills required for a game like *Resident Evil* are quite different from those required for a game like *Monster Hunter*, so we believe that identifying which developer is suited to which brand and putting the right people in the right places will allow us to create games of higher quality.

Improving Motivation

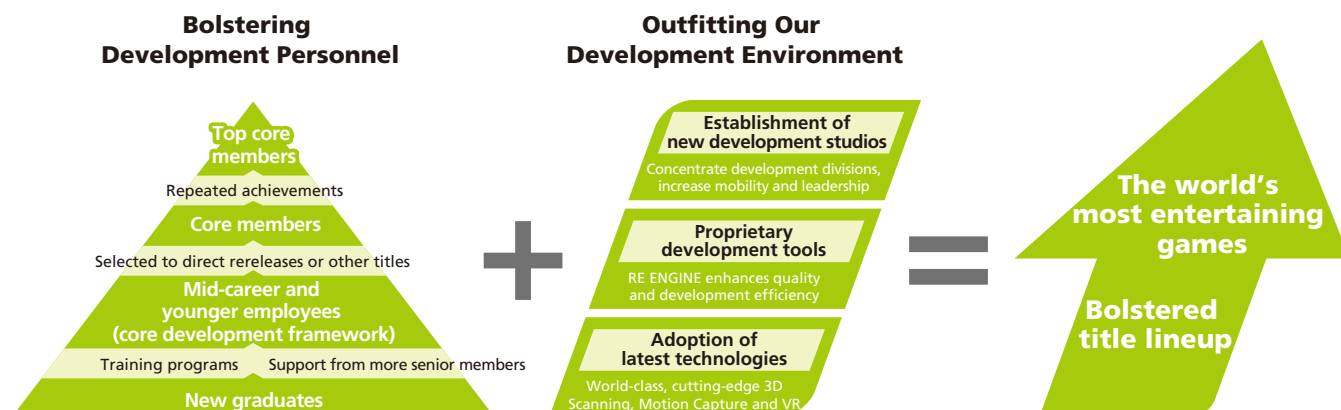
In addition to compensation like title-specific incentives and assignment allowances, we have put together a pleasant workplace environment that includes an on-site day care center as motivation for employees. However, the biggest motivation for developers involved in building creative games is undoubtedly being in an environment that allows them to create the games they want to create. My background is in R&D as well, and I see that as the wellspring of development at Capcom. As such, beyond budget and delivery schedules, I am working to give as much freedom in craftsmanship as possible.

Investment in Intellectual Capital

Acquiring and Generalizing the Latest Technologies

Capcom invests aggressively in R&D centers and development facilities based on the conviction that you can't create world-class games without pursuing evolution, and the technical results lead to a competitive edge over other companies. The key point in differentiation from other companies is generalizing the latest technologies and making development easier to increase efficiency. For example, the RE ENGINE development engine not only enables graphical expressions nearly indistinguishable from live action but also dramatically shortens the time required for each process in game development. Our in-house oriented development structure allows us to improve specifications constantly, and this makes such things possible.

➔ Please refer to "*Resident Evil 2*" on page 43 and "*Devil May Cry 5*" on page 45, in the section "The Heart of Value Creation"



Message from Core Member



Working as Director to Promote the Full-Scale Overseas Expansion of *Monster Hunter*

Yuya Tokuda

Director
Monster Hunter: World

Career

Tokuda joined the Company in 2004 as a planner, having just graduated. Since that time, he has been continuously involved in the *Monster Hunter* series. His first experience as the main planner was on *Monster Hunter 3 Ultimate*. Promoted to director with *Monster Hunter: World*, he has been successful in the mission of expanding the brand to the overseas markets.

I've been involved with the *Monster Hunter* series since I joined the company, but *Monster Hunter: World* was my first time as director. The main responsibilities of the director are presenting the vision for the title to the staff, judging the deliverables produced by the staff, and making course corrections when necessary. In part because it's such a large development team, when development first started, I was unable to properly communicate my intent, and the deliverables were off the mark. However, things changed dramatically when I reviewed the PDCA cycle and got

better at communicating my thoughts. I became painfully aware of the importance of the director's role in that Capcom has many outstanding creators, but whether those skills are leveraged or not depends on me.

Before becoming director, I worked as a planner, but with each new title, I was given jobs of greater importance, so I could feel I was moving up even while still working as a planner. While continuing to work on building up *Monster Hunter*, I plan to work on creating intellectual properties that will surpass *Monster Hunter* in the future.

Creating an Environment for Smooth Game Development to Contribute to Expansion of the Title Lineup

Satoshi Ueda

Programming Lead
Resident Evil 6 Rerelease

Career

Ueda joined the Company as a programmer in 2006 having just graduated, and participated in the development of *Mega Man Star Force*, *Monster Hunter*, and other series. After directing a mobile application development project by young employees, he was selected for promotion to be a programming lead on the *Resident Evil 6* rerelease. He is currently working on development of *Resident Evil 2*.



As a programming lead, when we were engaged in the development of the *Resident Evil 6* rerelease, a project by young employees, I was in charge of assigning duties, progress management, and negotiation with our internal Quality Control Department and outside parties. It was my first time to manage the work of young employees on top of my own programming duties. As such, I stumbled a lot, but by working on creating an atmosphere in which we could proceed smoothly with game development, such as putting our heads together on ways to solve problems and engaging in active communication, we successfully completed development.

I personally think it's important that creators not only have well-rounded capabilities but also a special skill or weapon of their own that they can wield better than anyone else. What's good about Capcom is that you can choose the direction you want to go in yourself. By having a clear handle on the fields you're interested in and knowing what you want to do, you can develop the skills you want. In the ever-evolving game industry, if you don't grow on a daily basis, you'll get left behind. The young people joining the Company in recent years have extensive knowledge of programming, so I'm going to continue to devote myself to the job so that I stay ahead of the pack.

Relationship with Employees



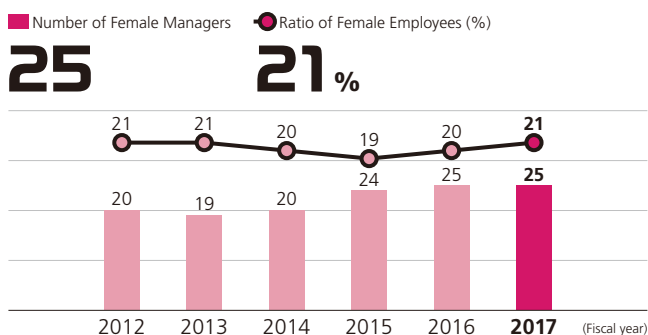
Promotion of Diversity

Initiatives Aimed at Promoting the Improvement of the Work Environment for Women and Proactively Hiring Non-Japanese

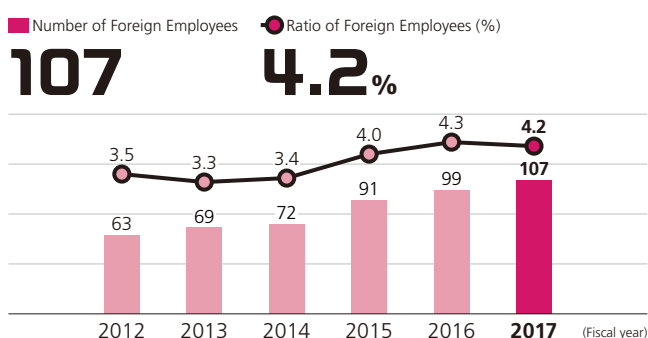
Capcom is currently engaged in initiatives aimed at improving the work environment for women and proactively hiring Non-Japanese.

In terms of providing an environment that facilitates women, we introduced systems enabling women to take a leave of absence before and after giving birth, childcare leave and shortened working hours, and promote their use throughout the Company. In fiscal 2017, 25 employees took childcare leave, six of whom were men, and 100% of eligible women took childcare leave (fiscal 2016: 3 men and 100% of 23 women took leave). A high percentage of women returned to work afterwards: 25 returned in fiscal 2017 — 96.0% if those still on leave are excluded. This is an increase over last fiscal year (95.6%, or 22 women, returned to work in fiscal 2016). As a result, despite it being said that Japan’s gaming industry is generally dominated by men, women account for roughly 21% of Capcom’s workforce, and 25 (10.3%) of Capcom’s managers are women. In accordance with the execution of the Act on Promotion of Women’s Participation and Advancement in the Workplace, in 2016 we formulated the General Employer Action Plan, which seeks to achieve two things: (1) having women comprise at least 20% of all of new graduates hired, and (2) having women comprise at

Number of Female Managers and Ratio of Female Employees (Capcom Co., Ltd.)



Number and Ratio of Foreign Employees (Capcom Co., Ltd.)



least 15% of managers. In recognition of Capcom’s efforts toward improving the workplace environment for women, since 2014 we have earned the “Kurumin” mark, the symbol of a “company supporting childcare,” from the Ministry of Health, Labour and Welfare.

In terms of the proactive employment of non-Japanese individuals, Capcom is making efforts to strengthen overseas expansion capabilities including creating an English hiring website. We currently employ 107 non-Japanese workers (representing 4.2% of our employees). Going forward, we will create a system for improving motivation in an attempt to increase the ratio of foreign employees, including support for career advancement and the promotion of non-Japanese individuals to management positions.

These measures have contributed to generating new IPs such as *Toraware no Paruma*.

➔ For details, see p. 57 of the 2017 Integrated Report and p. 11 of the Separate Volume: The Latest Development Report, in the 2016 Integrated Report.

Providing Career Paths for Employees and Improving the Work Environment

Company-Wide Training and Level-Based Training

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

Major Training Programs

Level-based training	Grade-based training	<ul style="list-style-type: none"> ● Training for new hires ● Training for first year of employment ● Training for third year of employment ● Mentor training
	Mid-level	<ul style="list-style-type: none"> ● Training for management candidates
	Management-level	<ul style="list-style-type: none"> ● Management by Objectives (MBO)
Company-wide training	Compulsory	<ul style="list-style-type: none"> ● Mental healthcare ● Compliance training ● Personal information training
	Optional	<ul style="list-style-type: none"> ● English instruction

Corporate Governance and CSR

Action Criteria and Compliance-Related Employee Education

The Capcom Code of Conduct calls for “free competition and fair trade,” “respect for human rights and individuality and the prohibition of discrimination” and “environmental conservation and protection.” To ensure an understanding of these concepts, we created the Capcom Group Code of Conduct Handbook, which is available on the company intranet and contains illustrated case studies in an easily understandable Q&A format.

We also conduct e-learning compliance training and Personal Information Protection Act compliance training for all employees.

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



Capcom
Juku

Providing an Environment for Vibrant Childcare Combining Day Care and Education

Given the desire to quickly improve the issue of long day care waiting lists accompanying a lack of preschools, Capcom's top management set its sights on the future and wanted to provide an environment in which employees can raise their children with peace of mind while remaining employed over the long term. We opened Capcom Juku in April 2017, aiming to add individual education and growth to standard day care for children. Capcom Juku goes beyond caring for infants and preschool children and accepts a wide range of youth, including after-school kindergarten and elementary school students. This helps employees avoid the stress of not being able to find open facilities for their children. Furthermore, by offering educational support in the form of a place for learning English, eurhythmics, math, science, and other subjects, Capcom Juku joins its efforts with employees and fosters the growth of children. Currently, as of March 31, 2018, the school takes care of 14 preschool children and accepts as many as 40 temporary pupils a month. Going forward, plans are in place to accept after-school students from nearby elementary schools, to add further convenience for working employees. Capcom Juku also offers Spring School and Summer School with classes taught by employee instructors when standard schools are closed for seasonal breaks. The Spring School on March 28, 2018 was the first time for a Capcom employee to serve as an instructor. This class took place in Capcom's dedicated Foley Stage, a studio for creating video game sound effects, and covered how to make games and the role of game music. Students were allowed to experience making sound effects, such as the flapping wings of a monster, as well as character voices, during a class that showcased some of the characteristic features of a video game company.

Additionally, students were able to eat lunch with their parents in the employee cafeteria, which was an opportunity for encouraging parent-child communication.

In the future, we will create a learning atmosphere at Capcom Juku that stimulates and broadens children's curiosity, while also striving for an environment where parents can work with peace of mind so that both they and their families can lead fulfilling lives.

My Experience

Natsuki Shiozawa

Produce Section 2
Management Department 2,
Consumer Games Development Division 2
Capcom Co., Ltd.



I have been using Capcom Juku on a monthly contract since it opened. The location is convenient for drop-off and pick-up because it is near the office and has a parking lot. I think the surroundings are nice, too, since it has a park in front of it.

I feel at ease because the parents of the other children there are also employees of my company.

Capcom Juku prepares meals on site, which is another way in which the facility is both convenient and safe.

The daily activities of the school are important to me. It is more than just day care. They bring in external instructors to teach English conversation, while others teach eurhythmics and the children get to learn how to grow vegetables in planter boxes. During the summer, they have well-designed activities such as pool time. I am really satisfied with the facility.

Relationship with Customers

For the Healthy Development of Young People

Compliance with the CERO Rating System and Endorsement of Guidelines

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

The rating system is an initiative for the healthy development of young people that calls for voluntary restrictions on home video game content and sales methods to limit access by young people to sexual or violent content. In addition, recent home video game consoles include a parental control function that enables parents to limit the online purchase and use of certain games according to their ratings.

Guidelines Issued by the Computer Entertainment Suppliers' Association (CESA)

Name of Guideline	Implementation Date
Guidelines for Real Money Trade Measures	April 26, 2017
Guidelines for the Protection of Minors	December 21, 2016
Operating Guidelines for Random Item Distribution in Network Games	April 27, 2016
Guidelines for Advertisements, Etc. in Home Video Game Software Targeting Only Those 18 and Over	April 1, 2008 Revised June 20, 2012
Code of Ethics Concerning Computer Entertainment Software, 2nd Revision	October 1, 2002

Please refer to CESA's website for the content of each set of guidelines.
https://www.cesa.or.jp/index_e.html



Senior
Tours

Holding Amusement Arcade Tours for Seniors and Contributing to Livelier Local Communities

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

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

Cumulative Number of Participants in Senior Tours

FY	2012	2013	2014	2015	2016	2017
Participants	1,030	1,550	1,681	1,871	2,037	2,247

Comments from a Tour Organizer

Daisuke Sharyo

Area Leader, Operations Team
 Arcade Operations Department,
 Arcade Operations Business Division
 Capcom Co., Ltd.



The people who take part in the senior tours show lots of happy smiles. The ones who bring their grandchildren seem especially pleased, and many of them say that they are really glad to have more to talk about with their grandkids than usual, thanks to video games. The tours are also a chance for senior participants to have more social interactions, with some of them even becoming regulars at the arcade. We are trying to be more proactive in our communication so that visitors will be able to comfortably use the arcade as a local community gathering place where they can make connections with both the staff and each other. Going forward, we will continue contributing to a livelier local community, including taking part in events hosted by the city government.

Relationship with Regional Communities



On-Site
Classes

Encouraging an Appropriate Understanding of Video Games with On-Site Classes for Children in School

Video games are a comparatively new cultural phenomenon about which there is little academic research. Rather than examining the educational aspects, discussions tend to focus on the detrimental effects of violent content. However, the idea of a future career as a video game creator is very popular among children and the decision has been made to make programming lessons compulsory in Japanese elementary schools in 2020. A host of private sector efforts are also being carried out, including opening programming academies for youth. Considering these recent developments, it is reasonable to expect that the number of children hoping to become video game creators will increase further in the future. Additionally, the ratio of smartphone ownership among young people—29.9% of elementary school students and 58.1% of junior high school students—is rising year by year. Game apps for smartphones are also increasingly gaining in popularity and the distance between video games and children is shrinking.

Given this context, as part of our Corporate Social Responsibility (CSR) efforts as a video game software producer, and based around a desire to promote understanding in society of video games, we accept student visits to our offices, with a focus on elementary and junior high school students, and also actively conduct on-site classes at schools. At these events, Capcom conducts a program with two sessions: one is a career education support session, which introduces the work done in a game software company and the difficulty and rewards of that work, and the other is a game literacy education support session, which helps students use their own judgement to establish a healthy relationship with games. These programs have in turn been

well-received in educational environments. Capcom has also incorporated opinions from educators to improve its educational efforts. In fiscal 2011, Capcom launched its second educational program, focused on the educational theme of career education support. In fiscal 2013, Capcom started a new class program on work and mathematics targeted towards elementary and junior high school students to help prevent children from losing interest in math, a challenge in recent years.

As a result of these efforts, Capcom has welcomed 2,950 children as part of 366 different field trips to its offices (as of the end of March 2018). Capcom has also held 136 on-site classes for 12,715 students (as of the end of March 2018) at schools such as Edogawa Ward Seishin Daini Junior High School in Tokyo.

Impressions of the On-Site Classes (A Portion of This Fiscal Year's Comments)

- The work done at a video game company uses a lot of math and I'm glad that I was reminded how important math is. (Junior high school student)
- I saw students more engaged and energetic than in our normal classes. It made me feel that pupils will participate more seriously in subjects that interest them. (Junior high school teacher)
- During the class, nearly all of the children seemed nervous, but in the post-class surveys, they said that they want to have this kind of job and want to know more about it. (Local learning center leader)
- I thought it was really good that the videos let children hear the voices of people actually doing this kind of work, which was a nice way to convey information to the students. (City Hall official)



Regional Revitalization Activities

Supporting Regional Revitalization Using the Appeal of Capcom Video Game Content

The attraction of video game content for the worldwide audience was in evidence when Japan's Prime Minister promoted the 2020 Tokyo Olympic and Paralympic Games by dressing as a video game character at the Closing Ceremony of the 2016 Rio de Janeiro Games. In the same vein, Capcom is following a Single Content Multiple Usage strategy for our content, which we deploy in a wide range of fields beyond video games. As such, we are proud to have a high level of recognition and popularity among men and women, young and old alike.

Utilizing the power of our game content to capture the attention of people, Capcom has been engaged in the following four regional revitalization activities not only in Osaka, where we have our head office, but across Japan, since the mid-2000s: 1) economic promotion that supports the local tourism industries; 2) cultural promotion that supports education concerning local history and culture; 3) the improvement of public order through coordination with the police; and 4) raising awareness about voting in elections in coordination with the Committee for Election Administration.

In 2017, Capcom provided support for a stamp rally that used our characters, as well as collaborated to make the commemorative goods for the 73rd National Athletic Meet's Ice Skating Winter Competition (known as Fujinokuni Yamanashi-Kokutai), in Kofu Yamanashi Prefecture, a city with which Capcom entered into a Comprehensive Agreement to Promote Vitalization of the Local Economy. These events were part of Capcom's efforts to help achieve regional development by 2019. In Hamamatsu City, Shizuoka Prefecture, which is seizing the opportunity of a televised historical drama series to boost tourism, we collaborated with decorating the exterior of a train (the "Naotora Express") by providing a Capcom character. Furthermore, in March 2018, we provided characters for

inclusion in promotional posters and handouts for performances at the National Bunraku Theatre in Osaka, which is striving to better communicate to young people the appeal of bunraku, an art form included on the UNESCO Intangible Cultural Heritage List. These examples highlight some of our dedicated efforts to help regional revitalization activities.

Also, in October 2017, *Monster Hunter* series characters were used in materials to promote efforts by the Osaka Prefectural Police Department to raise awareness and prevent the theft of valuables from unattended cars. Car interior cleaner wipes with packaging featuring the characters were distributed to promote the campaign.

Comments from a City Official

Shinya Kawai

HAMAMATSU CITY
INDUSTRIAL DEPARTMENT
Tourism & City Promotion Division



With the airing of a televised historical drama series and the boom in popularity of history from the Sengoku period, Hamamatsu city signed an agreement in 2016 to license Capcom content. We have used *li Naotora*, *Tokugawa Ieyasu*, and other *Sengoku BASARA* characters in our promotions.

We are striving to promote Hamamatsu to new demographics, such as young people and women, and have been able to attract visitors to related locations within the city. There were particularly spirited responses to the live on-stage talk, the *sumie* ink art exhibit, and the announcements played inside buses decorated with character images. Information spread on social media and I think the PR activities were effective. Additionally, visitors from outside Japan also asked to receive some of the collaboration posters, which showed us how strong the appeal of popular video games can be.

Capcom and the Environment

Environmental



Capcom's Digital Contents business accounts for over 75% of the Group's consolidated net sales and entails the development and sale of software. This gives Capcom an environmental impact that is lower than general manufacturers. Because our environmental impact comes largely from the power used for office work and at amusement facilities, as well as from distributing our products, we are focused on saving energy.

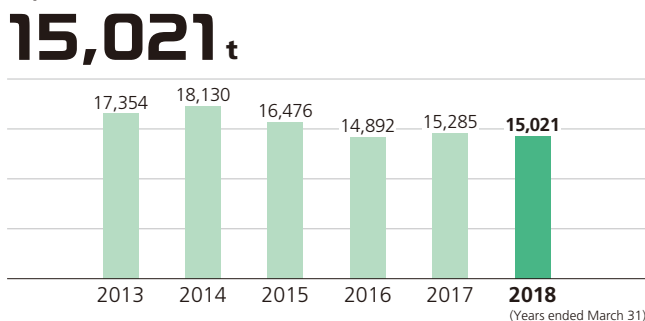
Reducing Power Usage

Reducing CO₂ Emissions by Promoting Energy Saving Measures Companywide

Capcom has worked to cut power usage through efforts that include ongoing power saving at all of its places of business, saving energy at its amusement facilities, and implementing peak shifting for the power used by PCs and other electrical equipment. In the fiscal years ended March 2012 to March 2014, energy usage trended upward at our amusement facilities in particular due to attempts to restore normal operations following shortened business hours necessitated by the Great East Japan Earthquake. However, since the fiscal year ended March 2014, we have cut CO₂ emissions by installing energy-saving gaming machines and switching to LED lighting. The fiscal year ended March 2017 saw our CO₂ emissions increase compared to the previous fiscal year due to the construction of the R&D Building #2 and Capcom Technical Center. However, as a result of having a range of energy-saving equipment, the CO₂ emissions from these buildings have been reduced by approximately 10%* compared to the original plan.

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

Capcom's CO₂ Emissions (Non-consolidated) (t)



Rated "S Class" Three Years in a Row by the Business Operator Class-Based Assessment System

Revisions made in 2014 to the Act on Rationalizing Energy Use, also known as the Revised Energy Conservation Act, place an obligation on companies to improve energy efficiency* by at least 1% every year, and every year Capcom has achieved year-on-year reductions to its energy intensity. For these efforts, Capcom has been awarded S Class (out of classes S, A, B, and C) status for three years running under the Business Operator Class-Based Assessment System that has been administered since 2016 by the

Agency for Natural Resources and Energy in accordance with the Act on Rationalizing Energy Use (Measures Pertaining to Factories).

* Either standard energy intensity or assessed energy intensity from levelled out electric power demand

FY	Energy Intensity*	Vs. Previous FY
2013	0.07090	95.7%
2014	0.06663	94.0%
2015	0.06193	92.9%
2016	0.06018	97.2%
2017	0.05994	99.6%

* Calculated using the method defined by the Agency of Natural Resources and Energy. The Agency for Natural Resources and Energy website: <http://www.enecho.meti.go.jp/en/>

Innovations in Product Distribution

Sharing Distribution Networks with Other Companies in the Industry

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

Paperless Instruction Manuals

In previous console generations, games included a printed instruction manual inside the package, but with games for current-generation consoles, these manuals are now included as data within the software as a way to save paper. This enables us to eliminate approximately 11.5 million game units' worth of paper manuals shipped annually.

Development and Manufacturing Initiatives

Reducing the Environmental Impact of Pachislo Machines

In solidarity with the efforts of the Japan Pachislot Machine Industry Association (Nichidenkyo), Capcom manufactures and sells pachislo machines partially made from recycled parts and equipped with standardized "green devices" aimed at controlling power usage.

Reducing the Environmental Impact of Business Machines

In addition to ensuring that we make products that are easy to recycle while using durable materials and components beginning at the design stage, we actively provide version upgrade kits to allow customers to use the same machines for the long term, simply adding or upgrading game data as they go.

Directors

(As of June 11, 2018)



Kunio Neo
Director and
Executive Corporate Officer

Makoto Matsuo
Director
Member of the Audit
and Supervisory Committee

Yoichi Egawa
Director and
Executive Corporate Officer

Yutaka Mizukoshi
Director

Kenzo Tsujimoto
Chairman and
Chief Executive Officer (CEO)



Masao Sato
Director

Yoshihiko Iwasaki
Director
Full-time member of the Audit
and Supervisory Committee

Kazushi Hirao
Director
Full-time member of the Audit
and Supervisory Committee

Haruhiro Tsujimoto
President and
Chief Operating Officer (COO)

Toru Muranaka
Director

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

Directors

(As of June 11, 2018)

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 President and Representative Director, Chief Operating Officer (COO) of the Company (to present)
 Feb. 2015 President and Representative Director, and Director in charge of Consumer Games Business of the Company
 Jul. 2016 President and Representative Director, and Director in charge of Global Marketing Business of the Company
 Aug. 2016 President and Representative Director, and Director in charge of Global Marketing Business and Arcade Operations Business of the Company
 Jun. 2018 President and Representative Director, and Director in charge of Arcade Operations Business of the Company (to present)

Yoichi Egawa

Director and Executive Corporate Officer

Apr. 1985 Entered into the Company
 Apr. 1999 General Manager of Creative Division 5 of the Company
 Aug. 1999 Corporate Officer, General Manager of Creative Division 5 of the Company
 Apr. 2005 Corporate Officer, Head of Contents Expansion Business Division of the Company
 Apr. 2006 Corporate Officer, Head of Pachinko & Pachislo Business Division of the Company
 Apr. 2011 Managing Corporate Officer of the Company
 Apr. 2013 Executive Corporate Officer of the Company (to present)
 Jun. 2013 Director, in charge of Arcade Business and Pachinko & Pachislo Business of the Company
 Apr. 2015 Director, in charge of Amusement Equipments Business and Arcade Operation Business of the Company
 Jul. 2016 Director, in charge of Amusement Equipments Business, Arcade Operations Business and Consumer Games Development of the Company
 Aug. 2016 Director, in charge of Consumer Games Development and Amusement Equipments Business of the Company
 Apr. 2017 Director, in charge of Consumer Games Development and Pachinko & Pachislo / Amusement Equipments Business Division of the Company (to present)

Kenkichi Nomura

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

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

Kunio Neo

Director and Executive Corporate Officer

Oct. 2012 Entered into the Company
 Feb. 2013 Chief Executive Officer (CEO) of CE Europe Ltd.
 Dec. 2014 Left from CE Europe Ltd.
 Apr. 2015 Advisor of the Company
 Apr. 2016 Managing Corporate Officer, Head of Global Marketing Group of the Company
 May 2018 Executive Corporate Officer, Head of Global Marketing Group of the Company (to present)
 Jun. 2018 Director, in charge of Global Marketing Business (to present)

Masao Sato

Director External Independent Director

Apr. 1975 Entered into the National Police Agency
 Nov. 1995 Chief of Ehime Prefectural Police Headquarters
 Jan. 2001 Chief of Miyagi Prefectural Police Headquarters
 Aug. 2005 Chief of Chiba Prefectural Police Headquarters
 Jan. 2007 Director General of Kanto Regional Police Bureau
 Mar. 2008 Resigned from the National Police Agency
 Jun. 2008 External Corporate Auditor of the Chugoku Electric Power Co., Inc.
 Jun. 2016 External Director of the Company (to present)
 Jun. 2017 Director, Public Interest Corporation, Furuoka Scholarship Foundation (to present)

Toru Muranaka

Director External Independent Director

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

Yutaka Mizukoshi

Director External Independent Director

Apr. 1980 Entered into Nippon Steel Corporation (Currently Nippon Steel & Sumitomo Metal Corporation)
 May 2004 Senior Vice President of The Boston Consulting Group
 Jan. 2005 Japan Co-chair of The Boston Consulting Group
 Jan. 2016 Senior Partner and Managing Director of The Boston Consulting Group
 Jun. 2016 External Director of Lifenet Insurance Company (to present)
 External Director of Asagami Corporation (to present)
 Jan. 2018 Senior Advisor of The Boston Consulting Group, Tokyo (to present)
 Jun. 2018 External Director of the Company (to present)

Kazushi Hirao

Director

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

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

Yoshihiko Iwasaki

Director External Independent Director

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

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

Makoto Matsuo

Director External Independent Director

<Member of the Audit and Supervisory Committee>

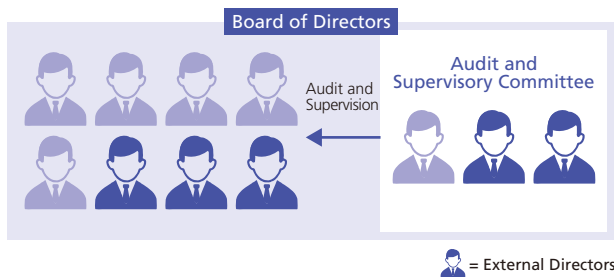
Apr. 1975 Admitted to Japanese Bar (The Dai-ichi Tokyo Bar Association) Ozaki & Momo-o
 Aug. 1978 Weil, Gotshal & Manges in New York
 Mar. 1979 Admitted to New York Bar
 Apr. 1989 Partner of Momo-o, Matsuo & Namba (to present)
 Apr. 1997 Lecturer of Nihon University, Faculty of Law: International Transaction Law
 Jun. 1999 External Corporate Auditor of Victor Company of Japan, Limited
 Jun. 2000 External Corporate Auditor of Billing System Corporation
 Jun. 2003 External Corporate Auditor of Yamanouchi Pharmaceutical, Co., Ltd.
 Jun. 2004 External Director of the said Company
 Apr. 2005 External Director of Astellas Pharma Inc.
 Lecturer of Hitotsubashi University Faculty and Graduate School of Law: World Business Law
 Jun. 2007 External Director of the Company
 Oct. 2008 External Director of JVC KENWOOD Holdings, Inc.
 Jun. 2009 External Corporate Auditor of Toray Industries, Inc.
 Mar. 2014 External Corporate Auditor of Solasia Pharma K.K. (to present)
 Mar. 2015 External Director of TonenGeneral Sekiyu K.K.
 Jun. 2016 External Director (Member of the Audit and Supervisory Committee) of the Company (to present)

Features of Capcom Corporate Governance

Four Features of Capcom Corporate Governance

1 Transition into a Company with an Audit and Supervisory Committee to Strengthen Governance

In June 2016, we transitioned into a company with an audit and supervisory committee. The Audit and Supervisory Committee works so that the internal control system functions effectively, auditing the execution of operations by directors and employees based on auditing policies and, as necessary, submitting items found in audits and giving advice and making suggestions for corrections, etc. Additionally, we have established an Internal Audit Division directly under the control of the Audit and Supervisory Committee to ensure the committee can perform duties smoothly and appropriately. This division has a full-time staff of 18 who help with the execution of operations of the Audit and Supervisory Committee.



2 Proactive Appointment of External Directors

Capcom's current ratio of external directors is 45.5% through proactively appointing external directors since June 2001. The advice, opinions, and scrutiny provided by external directors increases the transparency and credibility of Board of Directors' meetings and vitalizes the same, while also strengthening the function of the meetings to supervise management.



3 Full Disclosure of 73 Corporate Governance Code Items

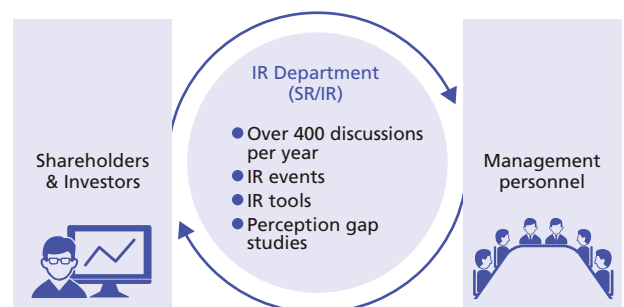
Capcom has disclosed all 73 of its Corporate Governance Code items in order to fulfil its responsibility to explain each item while reaffirming the current state of the company's governance system contrasted with its ideal state. Capcom attaches particular importance to 26 items, which are comprised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

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

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

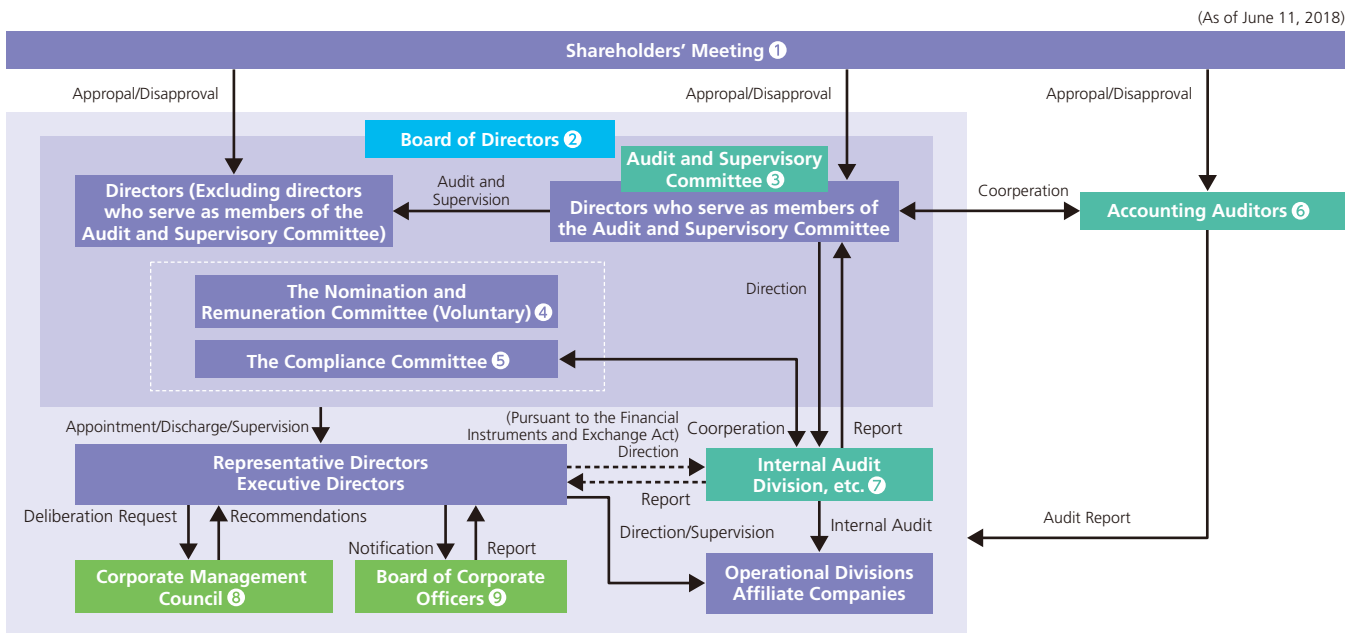
4 Mechanism for Reflecting Investor and Analyst Opinions in Management

Capcom's IR Department engages in discussions with analysts and investors over 400 times per year. In addition to promoting understanding of management policies and business strategies, the IR Department applies these activities to corporate management, summarizing market opinions and providing feedback to management personnel. Capcom is also further enhancing events and tools for investors, strengthening shareholder and investor relations activities.



Corporate Governance Structure and Initiatives

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



Corporate Governance Structure

Enhancing Management Soundness and Transparency While Responding to Changes in the Environment

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

1 Shareholders’ Meeting

(Convened on June 11, 2018)

Determines Important Matters as the Highest Decision-Making Body

The general shareholders’ meeting serves as Capcom’s highest decision-making body and determines important matters as well as serves as a place for reporting audit results of consolidated financial statements.

Invitations to the general shareholders’ meeting are issued approximately three weeks before convening the session, and efforts are made to allow for greater attendance by having the session about 10 days before the date on which most other companies hold their meetings. 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.

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

2 Board of Directors

Supervision

(Convened 15 times in the year ended March 31, 2018)

Management Decisions that Incorporate External Directors’ Opinions

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

The Board of Directors is composed of eight directors (excluding Audit and Supervisory Committee members), three of whom are external directors, in addition to three directors who are Audit and Supervisory Committee members (two of whom are external directors), for a total of 11 directors.

More than one-third of directors are external directors (five out of eleven) and all five of the external directors have been registered with Tokyo Stock Exchange, Inc. as independent directors.

3 Audit and Supervisory Committee

Audit

(Convened 16 times in the year ended March 31, 2018)

Cooperating with Accounting Auditors and the Internal Audit Department to Audit and Supervise

The Audit and Supervisory Committee is composed of three directors,

two of whom are external directors. We carry out organizational audits and supervision by selecting two full-time members of the Audit and Supervisory Committee to collect and share information, while also making use of our internal control system.

To this end, we have established an Internal Audit Division, etc. with 18 full-time staff members directly under the control of the Audit and Supervisory Committee. This Division makes regular reports and carries out appropriate work through organizational audits that include issuing instructions and other actions as necessary.

4 The Nomination and Remuneration Committee

Providing Consultation on the Selection of Candidates for Director and Recommending Details of Director Compensation

Capcom has established a voluntary Nomination and Remuneration Committee with five members, a majority of whom are external directors. The committee has an external director as committee chairman, and serves as a consulting organization to the Board of Directors, as necessary, to ensure the objectivity and appropriateness of the decision-making process for nominating candidates for director and for setting the compensation of directors (excluding directors who are members of the Audit and Supervisory Committee).

5 The Compliance Committee

(Convened four times in the year ended March 31, 2018)

Focusing on Compliance as an Important Management Issue

To ensure compliance, Capcom has established a Compliance Committee that meets quarterly and has an external director, who is also a certified attorney, as the chairman. In order to prevent illegal activities and misconduct, and so that all employees can directly report any instances of these, Capcom has established Compliance Hotline Rules and an internal hotline. Capcom also regularly monitors its compliance status with a compliance check sheet. To ensure effectiveness, Capcom properly disposes of problems confirmed by this committee and other issues that must be dealt with.

6 Accounting Auditors

Audit

Ensuring and Verifying Accounting Transparency

Capcom has engaged KPMG AZSA LLC for financial audits as

Auditor Remuneration (Year ended March 31, 2018)

	Compensation for Audit Operations	Compensation for Non-Audit Operations
Delivery company	43 million yen	–
Consolidated subsidiary	1 million yen	–
Total	44 million yen	–

Auditing Company	Names of Certified Public Accountants	
KPMG AZSA LLC, a limited liability audit corporation	Designated Limited Liability Partners	Yasuhito Kondo
		Hiroshi Miura
		Takuya Obata

Note: The financial audit team was composed of 10 certified public accountants (CPA), candidates for CPA who passed the new CPA exam and associates in charge of system audit, and a Certified Pension Actuary etc. (total 12).

prescribed by the Companies Act and financial audits as prescribed by the Financial Instruments and Exchange Law. There is no special relationship involving financial or other interests between Capcom and this audit corporation or the engagement partners at this firm who perform audits at Capcom.

7 Internal Audit Division

Audit

Ensuring and Verifying Legal Compliance and Operating Efficiencies

We have established an Internal Audit Division, etc. as an auditing body to support the Audit and Supervisory Committee. This division conducts regular monitoring of each division and Group company, primarily from the standpoint of risk management. The Internal Audit Division collects and analyzes information on legality, propriety, and efficiency, accurately assesses Group internal operational risk and inefficiencies, and works to prevent the occurrence of crises and improve operations. Additionally, in the event of an unforeseen situation, the Internal Audit Division contributes to making appropriate management decisions by quickly giving a report examining and analyzing the causal factors to the Audit and Supervisory Committee in order to minimize losses to the Company.

8 Corporate Management Council

Implementation

(Convened 15 times in the year ended March 31, 2018)

Supporting the Board of Directors' Decisions

The Chairman, President and Executive Corporate Officers participate in the Corporate Management Council, which meets the day before a meeting of the Board of Directors. The Corporate Management Council ensures the fairness and transparency of the decision-making process by carefully reviewing special items, items brought up to the Board of Directors, and items delegated to Representative Directors.

9 Board of Corporate Officers

Implementation

(Convened 12 times in the year ended March 31, 2018)

Executing Operations Based on Clear Management Policy

In order to clarify monitoring and business operation functions, Capcom adopted the corporate officer system. The Board of Corporate Officers is convened, in principle, once a month. In addition to carrying out business based on Board of Directors' decisions, reports on business affairs policy are given and plans are formulated at meetings of the Board of Corporate Officers. Status reports on business being carried out by Corporate Officers are given at the meetings of the Board of Directors.

External Directors

Using External Perspectives to Ensure Effective Governance

External directors ensure the effectiveness of the corporate governance function by playing key roles in the Compliance Committee and the Nomination and Remuneration Committee. 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. The Secretariat staff helps with the work of the external directors who are not members of the Audit and Supervisory Committee. For external directors who are members of the Audit and Supervisory Committee, the full-time staff of the Internal Audit Division helps with their work.

Reasons for Selection of External Directors and Their Rate of Attendance (Year ended March 2018)

	Name	Independent director	Reasons for selection	Board of Directors/Audit and Supervisory Committee Rate of Attendance (Year ended March 2018)
External Directors	Hiroshi Yasuda	✓	In overall consideration of his excellent insight, wealth of experience, and career holding positions of importance	Board of Directors: Attended 15 of 15 meetings (100%)
	Masao Sato	✓	Due to expectations for his ability to contribute to the auditing and supervision of the Board of Directors through his rich experience and knowledge from many years serving in police administration	Board of Directors: Attended 15 of 15 meetings (100%)
	Toru Muranaka	✓	Due to expectations for his ability to contribute to the auditing and supervision of the Board of Directors through precise counsel and advice as a legal expert	Board of Directors: Attended 15 of 15 meetings (100%)
External Directors (Audit and Supervisory Committee)	Yoshihiko Iwasaki	✓	Due to his experience with tax administration, he is expected to be beneficial to the Company	Board of Directors: Attended 15 of 15 meetings (100%) Audit and Supervisory Committee: Attended 16 of 16 meetings (100%)
	Makoto Matsuo	✓	Due to his ability to enable effective corporate governance through precise counsel and advice as a legal expert	Board of Directors: Attended 15 of 15 meetings (100%) Audit and Supervisory Committee: Attended 16 of 16 meetings (100%)
	Takayuki Morinaga	✓	Due to expectations for his ability to strengthen the auditing and supervision of the Board of Directors through management expertise, practical experience, and a track record that he has acquired at other companies	Board of Directors: Attended 15 of 15 meetings (100%) Audit and Supervisory Committee: Attended 16 of 16 meetings (100%)

Officer Remuneration

The Nomination and Remuneration Committee Makes Recommendations to Ensure Fairness and Transparency

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

Regarding the Decision on the Calculation Method and Amount of Directors' Remuneration

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

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

a. Monthly remuneration is fixed.

b. The bonuses are set within a reasonable range based on monthly remuneration and the Company's performance.

c. In addition to the remuneration listed above, appropriate remuneration based on individual achievement may be paid within a set range.

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

In order to secure their independence, the remuneration of the directors who serve as members of the Audit and Supervisory Committee is not linked to performance; it is a fixed amount determined through discussions, taking the difference of full-time or part-time service into account, by the directors who serve as members of the Audit and Supervisory Committee.

Officer Remuneration (Year ended March 31, 2018)

Total remuneration, total amount by type of remuneration, and number of directors the remuneration was paid to, by type of director

Type of director	Total Remuneration (million yen)	Total of remuneration by type (million yen)				Number of directors paid
		Basic remuneration	Stock options	Bonus	Severance	
Director (excluding Audit and Supervisory Committee and external directors)	296	226	-	70	-	4
Member of Audit and Supervisory Committee (excluding external directors)	28	28	-	-	-	2
External director	29	29	-	-	-	3
Member of Audit and Supervisory Committee (external directors)	45	45	-	-	-	3

Note: The above includes one director (an Audit and Supervisory Committee member) who left office due to his tenure ending on September 30, 2017.

Total amount of consolidated remuneration by director of delivery company

Name	Total of consolidated remuneration (million yen)	Type of director	Type of company	Total of consolidated remuneration by type (million yen)			
				Basic remuneration	Stock options	Bonus	Severance
Kenzo Tsujimoto	110	Director	Delivery company	80	-	30	-

Note: Total consolidated remuneration, etc. is listed only for those with remuneration of 100 million yen or more.

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 184th among 3,548 listed companies in Japan in the "NEEDS-Cges" assessment developed by Nikkei Digital Media, Inc.

NEEDS-Cges has an established reputation as a system that quantitatively assesses corporate governance using scores on a scale of 1 to 10 for eight categories, including capital efficiency, information disclosure, and external regulations, among others, based on some 150 indicators calculated from data of publicly released company documents, such as financial reports.

As of the end of June 2018, Capcom's total score was 7.20 points, placing us in the top 5.2% of Japan's listed companies, exceeding the 4.91-point average for all listed companies and the 7.02-point average for the industry. We also received the maximum score of 10 for "equity market evaluation" and "information disclosure."

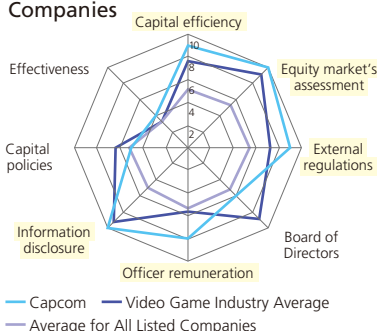
The main evaluation factors are given in the table below, but areas highlighted in yellow indicate measures that received particular notice. Going forward, we will continue making improvements based on consideration of external data to earn an even stronger assessment, and further promote the external visibility of our governance by posting this and other data on our IR web page.

Third-Party Assessment Results of Capcom's Corporate Governance

Details of Capcom's Corporate Governance

Total Score	7.20
Rank	184
Categories	Score
Capital efficiency	9
Equity market's assessment	10
External regulations	9
Board of Directors	6
Officer remuneration	8
Information disclosure	10
Capital policies	5
Effectiveness	4

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
Capital efficiency	9	Statistics related to free cash flow
Equity market's assessment	10	Statistics related to Tobin's Q Ratio; equity returns
External regulations	9	Presence (or absence) of takeover defense measures
Information disclosure	10	Timing of Shareholders' Meetings (avoiding congested periods), degree of website detail, early timing of Shareholders' Meeting invitations, utilization of electronic voting, presence or absence of English disclosure materials

Source: NEEDS-Cges from Nikkei Inc.

Basic Policies Regarding IR Activities

1. Disclosure Policies

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

2. Disclosure Criteria

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

It is our policy to disclose as much information as possible, including the disclosure of information not required by the Timely

Disclosure Rules and other regulations, to accommodate our investors' needs. We also disclose information through our corporate website in an attempt to provide quick and fair disclosure. Shareholders are informed of operating results and business conditions through shareholder letters.

3. Quiet Period

To prevent the unauthorized disclosure of quarterly earnings information prior to official announcements, Capcom has established a quiet period starting the day following the end of a fiscal period and ending on the day that financial information for that period is announced. During this period, we refuse all inquiries relating to our business performance. However, if significant changes to our earnings outlook are anticipated during the quiet period, we will disclose this information pursuant to the Timely Disclosure Rules and other regulations.

Initiatives for the General Shareholders' Meeting

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

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

Also, voting rights can be exercised via computer, smartphone,

and mobile phone. In addition, we have participated from an early stage in a platform for the online exercise of voting rights, so 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 worldwide.

Shareholders' Meeting Resolutions

The following presents the results of voting at the fiscal 2017 General Shareholders' Meeting.

Resolutions	Approval Votes	Opposed Votes	Abstained Votes	Approval Rate (%)	Voting Results
First proposal: Proposed Appropriation of Retained Earnings	446,934	169	32	99.05	Approved
Second proposal: Election of Eight Directors (excluding Directors who are members of the Audit and Supervisory Committee)					
Kenzo Tsujimoto	434,925	12,176	32	96.39	Approved
Haruhiro Tsujimoto	438,477	8,625	32	97.17	Approved
Yoichi Egawa	440,700	6,402	32	97.67	Approved
Kenkichi Nomura	440,157	6,945	32	97.55	Approved
Kunio Neo	439,284	7,818	32	97.35	Approved
Masao Sato	441,958	5,145	32	97.94	Approved
Toru Muranaka	441,182	5,921	32	97.77	Approved
Yutaka Mizukoshi	442,014	5,089	32	97.96	Approved
Third proposal: Election of Three Directors as Members of the Audit and Supervisory Committee					
Kazushi Hirao	434,516	12,586	32	96.30	Approved
Yoshihiko Iwasaki	438,349	8,753	32	97.14	Approved
Makoto Matsuo	437,527	9,575	32	96.96	Approved
Fourth proposal: Election of One Director as a Substitute Member of the Audit and Supervisory Committee	442,440	4,662	32	98.05	Approved

➔ Please refer to the "Resolutions of the 39th Ordinary General Meeting of Shareholders" section of our IR web page for information about the conditions for each proposal to be passed <http://www.capcom.co.jp/ir/english/stock/meeting.html>

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

Fiscal 2017 Third Party Evaluations

Corporate	US-based financial publication Institutional Investor's 2017 All-Japan Executive Team rankings, Software sector "Best IR Company" Third Place
Integrated Reports	Capcom's integrated report chosen for excellence by asset management companies contracted with GPIF
	Capcom's integrated report chosen for "marked improvement" by asset management companies contracted with GPIF
	20th Nikkei Annual Report Awards, Excellence Prize
IR Website	US-based financial publication Institutional Investor's 2017 All-Japan Executive Team rankings, Software sector "Best Website" First Place
	Daiwa Investor Relations Co., Ltd. (Daiwa IR), "Internet IR Award 2017," Grand Prize
	Morningstar Japan K.K., Gomez Consulting Dept.'s "Investor Relations Site Ranking 2017," First place
	Nikko Investor Relations Co., Ltd., "Fiscal 2017 Listed Company Website Quality Ranking," Second Place

Making Use of Shareholder and Investor Opinions

Reflecting Results of Dialogues with Investors and Analysts in Management

Through meetings with investors and analysts, Capcom's IR Department attempts to promote an understanding of management policies, strategies and future outlook with these parties. Furthermore, their opinions are gathered and provided to management, and are utilized for corporate management going forward. As a company based in Osaka, proactive IR meetings with these parties enables us to minimize asymmetric information as we strive to achieve appropriate corporate value.

In fiscal 2017, we set up top management meetings between the chairman and CEO, the president and COO, and investors where medium- to long-term strategies and the direction of marketing strategies were explained. This also included candid discussions concerning management and development. Furthermore, we held an online individual investor briefing to allow individual investors from anywhere in the world to take part, as one of a variety of new pursuits informed by stock market views and demands. In addition, Capcom conducts a perception gap study every year targeting institutional investors and analysts in Japan and overseas. Being aware of investor perception gaps gives us feedback on corporate management and IR activities. Questionnaires are also given to attendees at our Presentation of Financial Results and individual investor briefing sessions, allowing us to make proactive use of market opinions as one criterion in management decisions. Specific examples of the diverse use of this information include: (1) reviewing disclosure materials (disclosing new KPI) and (2) assessing earnings briefing sessions and (3) holding meetings with management personnel.

Fiscal 2017 IR Measures

By category	Frequency
Interviews accepted	211
Visited domestic investors	138
Visited overseas investors	71
Total	420

IR Events

Event	Details
Top Management Meeting	Speakers: Chairman and CEO, Kenzo Tsujimoto President and COO, Haruhiro Tsujimoto Executive Director and CFO, Kenkichi Nomura
Supplementary explanatory earnings administrative officer conference call	Conference call after earnings announcement / before financial results presentation to explain the results
Online individual investor briefing	Posted information sessions online for individual investors
Conducted perception gap study	Conducted assessment survey targeting institutional investors and analysts regarding Capcom's management targets, strategies and IR activities, provided feedback to management

Outcomes from Our Perception Gap Study with Investors (excerpts)

Q. Rather than earnings and performance matters, I would like to see opportunities created where we can ask top management and those in charge of development about their ideas, management theories and philosophy. In particular, since the founder is the Capcom CEO, this would be extremely informative for investors like us.

A. We held such a meeting.

We held a top management meeting to communicate the management policies and strategies being considered by the Chairman and CEO (our founder) and the President and COO (his successor), in addition to shedding some light on their personalities. The attendees seemed tremendously pleased and the event facilitated a deeper understanding of Capcom's business strategies. We will continue to have such meetings to provide opportunities for even more meaningful, mutual dialogue.

Q. The recording of development costs in the Consumer business is difficult to understand. I would like to see a little more disclosure.

A. We have made additional disclosures.

With the advance of digitization, consumer games have adopted longer sales cycles than before. Consequently, following accounting principles, Capcom now records expenses in accord with the sales period and, in principle, depreciates costs over approximately two years.

IR Activities on Our Website

Providing a Website Easily Accessible to Everyone

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

IR Team

Full-Time Staff Engaged in a Wide Variety of Activities

Capcom IR activities are conducted by four full-time staff members in addition to the chairman, the president, and the director overseeing IR for shareholders and investors in Japan and overseas. For earnings information and other IR-related inquiries, please use the contact information below.

Public Relations & Investor Relations Section

Phone: +81-6-6920-3623 E-mail: ir@capcom.co.jp
Business Hours: 9:00–12:00, 13:00–17:30 (JST)
(excluding weekends and public holidays)

Major Discussions at Board of Directors Meetings and Audit and Supervisory Committee Meetings Held in Fiscal 2017

The Capcom Board of Directors ensures management transparency and soundness, with its six external directors (as of March 31, 2018) taking the lead in proactively offering opinions and advice. In addition to addressing dividend payments and discontinuing takeover defense measures, the Board engages in lively discussion concerning Capcom's growth strategies, such as esports, while promoting those strategies through corporate governance. While there were more than a few heated discussions with external directors, including with the Audit and Supervisory Committee, on this page, we will present an overview of two examples.

(Light blue highlights indicate external director comments.)



Topic 1

Entering a New Business Overseas

Executive officer in charge of overseas business (After finishing an overview explanation of new businesses) Regarding this issue, Japan is not a possible target of business for legal reasons, but many areas in Europe and the U.S. are. When thinking about entering this business, I would like to consider feasibility from a multi-faceted perspective, including marketability, platform technology, legality, etc.

Tsujimoto (Kenzo) This is not an agenda item, but merely a preliminary report. If there are any questions regarding entering this new business, I would like to ask for recommendations by the time of our next meeting, where we will make decisions. The reason that I would like to press forward with some optimism is that, while there are risks, it is necessary to take healthy risk in order to achieve sustainable growth. But if we are slow to act, we lose. So, with that, I would like to identify the risks and returns, and thoroughly discuss their suitability.

Sato I've heard that access from Japan and some other areas is excluded based on a player's location information, but would it be possible for them to play via a third country?

Executive officer in charge of overseas business The specifications will be set so that they will be excluded based on GPS data.

Tsujimoto (Kenzo) Even if they do access the game, they will not be able to make in-game purchases. Also, when entering a new business, I would like to hear everyone's opinion as to what you would like us to preserve.

Matsuo OK, I understand that players cannot play these games from Japan. However, as a publicly traded Japanese company, not an American one, is there any meaning for us in this new business? Who will operate it and whose idea is it? I would like those points to be clarified.

Executive officer in charge of overseas business In principle, the business will be run by a U.S. company.

Tsujimoto (Kenzo) By way of example, if a Japanese company buys a Las Vegas casino, it is legal to run it as an overseas subsidiary, and it is also legal for a Japanese person to visit the casino. But it is a problem to place bets from Japan. This case (though not gambling) is the same situation. I would like our deliberations to consider this point when making a decision.

Muranaka When the division in charge moves this project forward, I would like the legality to be assured. I would like us to proceed following a sound third-party monitoring approach, such as having a separate division check whether the division in charge is properly managing legality and the like. As an ideal, I understand the desire to promote this business, but I would like consideration to be paid to operating it.

Iwasaki Since the target area includes the EU, I would like us to carefully consider whether we clear the regional restrictions related to the EU competition law.

Tsujimoto (Kenzo) We will take into account the issues raised by our external directors and reassess risks as we outline the suitability of entering this business.



Topic 2

Discussion on Policies for Improving the Mobile Business*

External Audit and Supervisory Committee member I think that the Mobile business is one growth area, but it has not led to major gains for Capcom thus far. What analysis has been done looking into the reasons why? Is it a problem of not investing sufficient management resources, such as people, material, and money? Or, is it a problem with Capcom's mobile development expertise and capabilities?

Internal Audit Officer Although this is an interim report, I think the reason why expected results have not emerged from the Mobile Business to date is due to both issues you mentioned. These were included in the issues I reported on today, and, I would like internal auditing to proceed by verifying matters through further interviews, as well as data gathering and analysis. After these steps, we can clarify the challenges and propose improvements to the business division.

Internal Audit and Supervisory Committee member To add to that, our in-house resources are not sufficient for mobile game development, so for the Asian market, we are trying to work on multiple titles through an out-licensing approach with local development companies. We are also trying to find a starting point domestically, such as pursuing joint development with mobile development companies.

External Audit and Supervisory Committee member Since mobile is an important field within Capcom's growth strategies, we need

to be quick in our approach. Also, from a macro perspective, the Asian market's growth rate is extremely high, so I think one issue is how we should tackle this market going forward.

External Audit and Supervisory Committee member Regional preferences are particularly important for mobile games. A game that is a hit in Japan will not necessarily do well overseas. I would like that point to be covered as well when internal audits are performed.

Internal Audit Officer Currently, the division has deployed a strategy that first emphasizes business in Japan. As for overseas markets, such as Europe, the U.S. and Asia, it will confirm plans going forward.

External Audit and Supervisory Committee member Approximately what percentage of the global market is the Japanese market?

Internal Audit Officer The Japanese market has about a one-fifth share. The Japanese market has evolved in a very peculiar direction (emphasizing "gacha," or lottery-style microtransactions).

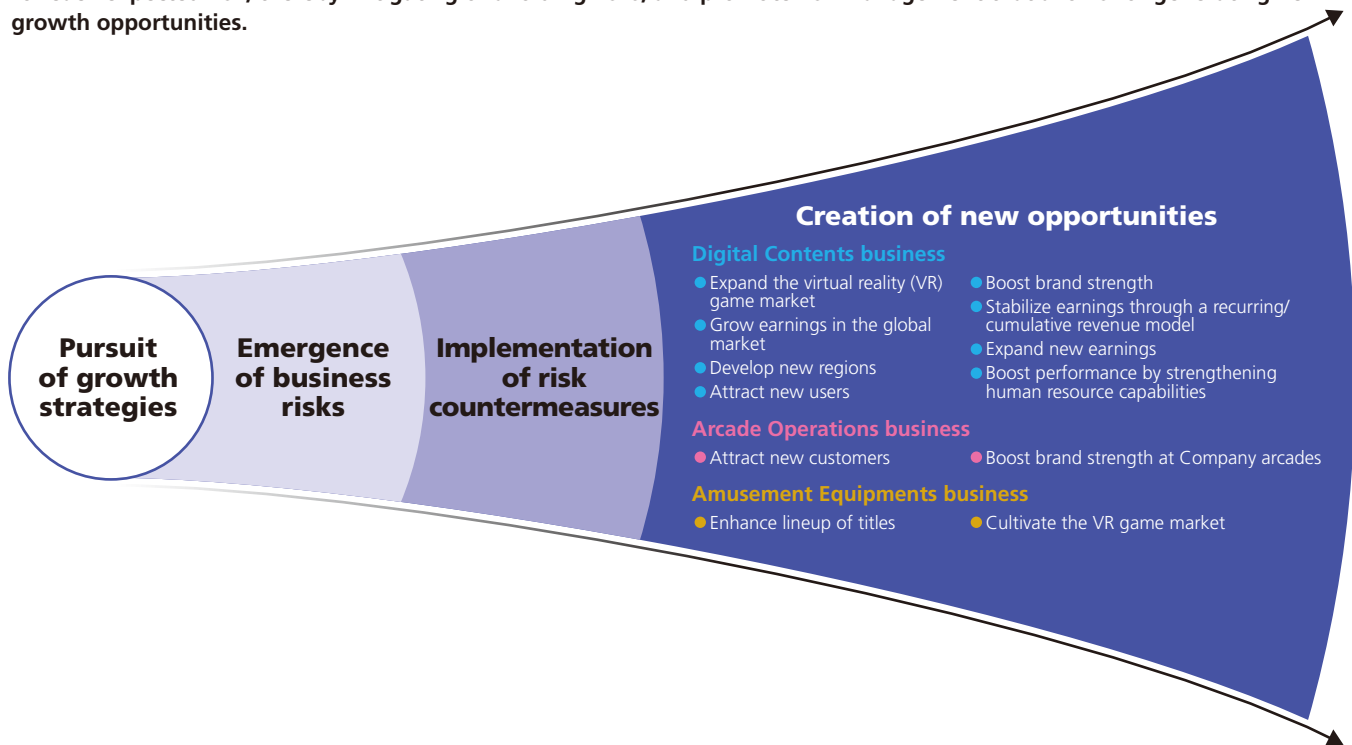
External Audit and Supervisory Committee member Thank you. This gives me a better understanding of the current state and issues for the Mobile business. I hope we can continue to have timely progress reports on internal audits.

Internal Audit Officer Understood. I plan to proceed so that we can further clarify any problem points and make proposals that will translate to future growth.

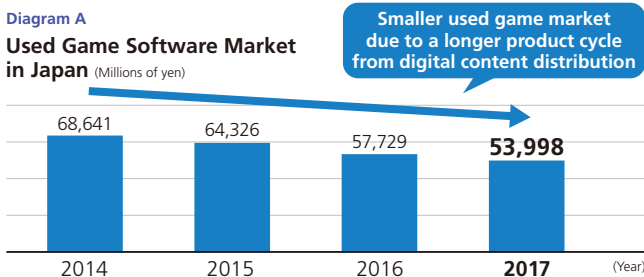
* This discussion contains comments gathered from the Audit and Supervisory Committee meetings during the period under review, and from other individual meetings as well.

Risk Management

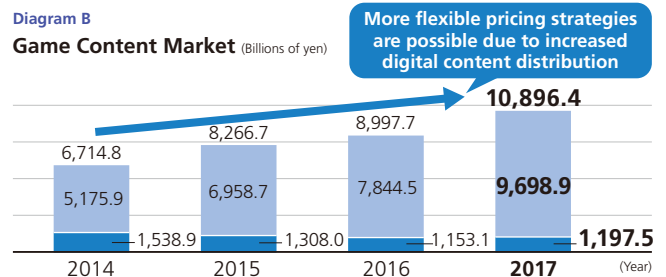
Capcom is driving its growth strategies forward in order to achieve our medium-term business goal of increased operating income every fiscal year. Pursuing our growth strategies, however, inevitably entails business risks. We implement measures for each expected risk, thereby mitigating or avoiding risks, and promote risk management that allows for generating new growth opportunities.



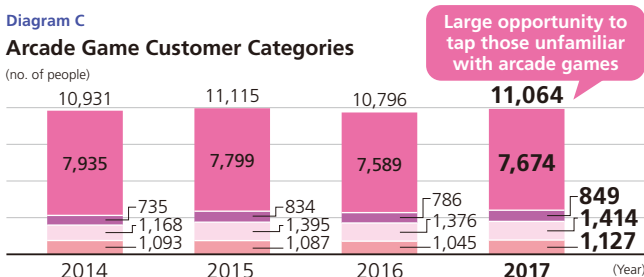
Business Opportunities Shown in Market Data



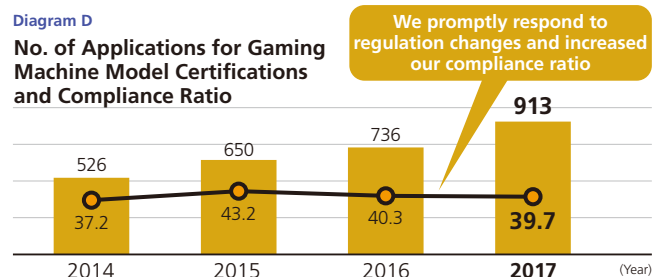
Source: Famitsu Game White Paper 2015, 2016, 2017, 2018



Source: Famitsu Game White Paper 2015, 2016, 2017, 2018



Source: 2018 CESA Consumer Survey Report -Survey of Japanese Game Users & Non-game Users-



Source: reference statistics from the Security Communications Association

Major Risks, Countermeasures, and Opportunities

Digital Contents business

Risks	Capcom's response measures	Opportunities
Surge in development costs due to increasingly complex/diverse functionality in CG, VR, and artificial intelligence (AI) technologies as well as Internet operations	Build an in-house development engine; increase and efficiently place development personnel to improve both quality and development efficiency, while focusing on containing development spending	<ul style="list-style-type: none"> Expand the VR game market Grow earnings in the global market
Rapid obsolescence of game software	Remake previous titles and/or make derivative products from them in order to continue effectively utilizing IP, while securing long-term earnings	
Expansion of the used software market and a flood of pirated copies in Asian markets	Boost the DLC ratio in order to restrain supply to the used game market, suppress pirated copies, and expand sales of genuine products [Diagram A]	
Loss of user interest in our popular IP due to changes in the market environment	Boost brand strength by rolling out products on multiple media platforms Allocate a certain percentage of development investment toward new IP development	
Arguments claiming a connection with / influence on violent incidents and other criminal cases due to depictions of violent scenes and similar content in games	Comply with rules on the ratings system for game software Educate schools and parents/guardians by conducting on-site classes	<ul style="list-style-type: none"> Develop new regions Attract new users Boost brand strength Stabilize earnings through a recurring/cumulative revenue model
Fluctuations in the proliferation of, or any problem with, home video game consoles	Use surveys and analysis of home game console market trends to predict future trends, while diversifying earnings risks by releasing products on multiple game platforms	
Fluctuations in supply and demand for games due to seasonal factors	Deliberate on optimal timing of launches based on market analysis Create more long-term sales through flexible pricing strategies	
Sluggish sales growth in the transition stage ahead of next-generation home video game console launches	Lengthen the duration of game sales and strengthen recurring sales by boosting the DLC ratio Increase sales units through flexible pricing strategies [Diagram B]	
Inability to keep up with new technologies	Utilize a cutting-edge development environment and talented developers to continually strive for development that leverages new technologies	<ul style="list-style-type: none"> Boost brand strength Expand new sources of earnings
Decrease in users due to diversifying entertainment options, diversifying consumer needs, etc.	Deliver mobile games, etc. that leverage our popular IP by releasing games on multiple platforms and thereby gaining new user segments	
Market fluctuations outside Japan and intensification of competition among companies	Closely share information with overseas subsidiaries and sales companies; assess market trends in each country; respond to local needs	
Country risks outside Japan, including political, economic, legislative, cultural, religious, and custom risks	Have in-house specialist teams carry out localization without losing the feel of the game world and while keeping regional politics, economics, laws, culture, religion, and customs in mind	<ul style="list-style-type: none"> Grow earnings in the global market Boost performance by strengthening human resource capabilities
Unfavorable legal interpretations/rules by regulatory authorities addressing tax rates, customs duties, etc. accompanying expansion of overseas transactions	Collaborate with overseas subsidiaries and gather information related to legal systems in the countries of sale so that we can strive for preemptive measures	
Retirement/transfer of development personnel	Devote effort to aggressively hiring and training personnel so that we can secure talented developers Promote systems for shortened working hours and usage of paid leave, in addition to building daycare centers near our offices	

Arcade Operations business

Risks	Capcom's response measures	Opportunities
Reliance on the popularity of installed machines	Roll out multi-faceted projects such as character-themed food shops, shops dedicated to selling character-themed products, and special corners targeting younger demographics, in order to attract customers without focusing on specific, popular machines [Diagram C]	<ul style="list-style-type: none"> Attract new customers
Changes in the market environment, such as diversification of entertainment, falling birth rates, intensified competition	Create new earnings opportunities and customers by holding various events for families and women, and other events aimed at middle-aged to senior citizens	<ul style="list-style-type: none"> Boost brand strength at Company arcades

Amusement Equipments business

Risks	Capcom's response measures	Opportunities
Only models that obtain Security Communications Association certification can be sold	By joining the Japan Pachislo Machine Industry Association (Nichidenkyo), get an understanding of trends with regulatory agencies and build a framework for immediately responding to regulatory changes [Diagram D]	<ul style="list-style-type: none"> Enhance lineup of titles
A decline in facility operators' purchasing power, changes in the business environment, and uncertainties regarding growth	Develop cabinets that utilize our wealth of popular IP in multiple ways Grasp market trends by collaborating with company-owned arcades	<ul style="list-style-type: none"> Cultivate the VR game market Enhance lineup of titles