

Key commentary on our human resources strategy from our external directors

Capcom's external directors delve into the specific measures, issues, and future direction for creating a management policy that strengthens investment in human resources

The five external directors (as of March 31, 2022) on Capcom's Board of Directors take the lead in proactively exchanging opinions and advice on our management policies, ensuring transparency and soundness. In addition, the Board of Directors is focused on promoting our growth strategy in a management environment with appropriate governance functions, where active discussion takes place regarding the structure of Capcom's corporate governance and disclosure, as well as our communications with shareholders and investors.



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External Director
(Independent Director)



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External Director
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To help you better understand governance at Capcom, we are sharing some comments on this page made by our external directors regarding human resources investment, which is one of the key management strategies that we have been placing even sharper focus on this fiscal year. The comments are from regularly held Roundtable Discussions, where agenda items for Board of Directors meetings are discussed, and Nomination and Remuneration Committee Meetings.

Regarding the FY2021 winter bonus increase

At the Board of Directors meeting held in October 2021, it was decided that based on the management policy to strengthen investment in human resources, the Company would pay a special bonus in December that year in addition to the regular bonus for the purpose of: (1) improving the standard of compensation and more tightly linking performance to compensation for employees, and (2) better reflecting contributions to business performance and efforts to address priority issues in evaluations of employees. The following are the key comments from the Nominations and Remuneration Committee meeting held in October 2021.

- Raising the compensation of employees before raising that of top management is an issue that merits evaluation. The company's profit margin is now in excess of 40%. It will be important to address improving employee compensation when considering sustainable growth for the future. Following the measures taken this time, it will likely be necessary to provide those in leadership roles, including executives, with more generous remuneration.
- No matter how well the company performs, if profits do not come back to the employees, shareholders are left with concerns about talented personnel leaving the company.

Revising compensation standards leads to higher retention of personnel, and not doing so may conversely be cause to call management negligent.

- I think it is good to review the current salary standards and reward employees.
- In addition to addressing compensation, another important issue is the training and education of new employees, which the company hires on a scale of 200 people annually. Moving forward, I believe it is necessary to promote such efforts in combination with revisions to the human resources policy.

Regarding the FY2022 Human Resources department reorganization and appointment of a CHO

On March 31, 2022, Capcom announced the promotion of a human resources investment strategy to improve sustainable corporate value. This release touched upon the following two points. (1) The establishment of a Chief Human Resources Officer (CHO) (For details see p.39 "The CHO Discusses Human Resources Strategy") to oversee securing and strengthening human resources, as well as a reorganization of the human resources functions into four departments under the CHO to pick up on problems and issues in the field. (2) Making efforts to resolve issues at the executive level and promoting the creation of a comfortable workplace for employees. The following are the key comments from the Roundtable Discussion held in March 2022.

- I believe it is progressive and positive. However, workstyle reforms and environmental improvements will take time. The newly established Health and Productivity Management Department has been established to take positive measures that will benefit employees. I hope that management thoroughly explain the role of this new department so that it can function effectively, and that its functions are well understood.



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I believe that the main issues going forward are communication with superiors, training developers, and cultivating core personnel. (Internal director)

- While other companies are also experiencing more fluidity in their personnel recently, we are also seeing a trend of new graduates we hire who are not yet accustomed to professional life. Times have changed since the current generation of managers had to come up the hard way, and people will not follow those who are just strict in their instruction with nothing more to offer.
- Many companies are troubled by mid-career personnel leaving, and some companies are conducting employee resignation analysis and satisfaction surveys.
- It has become a common occurrence at companies that managers who play a central role in the day-to-day operations of the company are troubled by the fact that younger employees are not responding to being treated the same way as the managers had been when they were freshly graduated new hires.

With the recent increase in freer work styles, this is an opportunity for companies to change their corporate cultures to align more with the times. It will take time, but we must make the effort to address this. (Internal director)

- As we promote measures to secure human resources, I would also like the company to continue making efforts to create a framework that can pick up on employees' needs, foster a sense of loyalty to the company among existing employees, and to meet the expectations people have of the organization.
- We can assume that regardless of workplace, managers will be facing a generation gap in the education of their subordinates. Going forward, I think it would be beneficial for departments to exchange information on how to treat subordinates.

Regarding FY2022 labor costs

Based on the new human resources policy, the average base salary of full-time employees was raised 30% (including salary increases) from April 2022, and a remuneration policy was introduced that returns profits to employees based on performance criteria. The following are the key comments from the Roundtable Discussion held in March 2022.

- It is important to consider how to determine salary amounts when revising the remuneration policy, but it is also necessary to discuss how to develop and systematize a multifaceted remuneration system that includes single-year fixed compensation, medium-to-long-term performance-based compensation, and stock compensation.
- When revising the remuneration system, you cannot simply raise salaries. You have to provide employees with a detailed explanation of the management policy going forward. I would like the company to also consider moving to a more flexible grade system that does not allow seniority to get in the way. Taking these points into consideration, the way the message is communicated internally is important.

In addition to sending a video message from the president regarding the revision to remuneration to all employees, we will make an external announcement regarding Capcom's human resources strategy efforts. (Internal director)

- The opinion was raised that employees should be provided with a detailed explanation from management regarding the purpose of the remuneration revision, but as a further step, there is a need to push for executives and managers to reevaluate their thinking. I know that is a difficult theme to undertake, but I would really like to see analysis and review.