

Message from an External Director

The management philosophy and corporate governance of Capcom's leaders

as seen by External Director Toru Muranaka

In the approximately three years since being appointed external director at the June 2016 Shareholders' Meeting, I have seen steady activity directed toward growth in Capcom's operational divisions, in addition to an unwavering approach to governance by top management. All of this has been against the backdrop of great change in the video game market as Capcom pushes to promote digital sales and global growth. I feel that my role is to present constructive questions to management personnel, drawing on my experience as an external director at other companies and my legal knowledge as an attorney.



Toru Muranaka
External Director
Independent Director



Since being appointed external director, what have you noticed about Capcom's Board of Directors?



The adoption of external directors is compulsory for a company with an audit and supervisory committee, and at Capcom independent external directors account for more than one third of all its directors.

We receive explanations of agenda items before Board of Directors meetings are convened and, on each occasion, have opportunities to exchange opinions on wide-ranging management issues not limited to those agenda items. The advice and input given during these discussions are then reflected in the deliberations of the Board of Directors. I feel that being able to grasp Capcom's management risks, initiatives, and issues during these talks prior to Board of Directors meetings is effective in supporting discussions at the board meetings.

Additionally, although the schedule is irregular, independent external directors also set up opportunities to exchange opinions with the CFO and Company directors who are full-time Audit and Supervisory Committee members, which allows us to discuss company-wide management issues that are difficult to fully delve into at Board of Directors meetings. Each independent external director focuses on Capcom's management issues using his or her particular acumen, which I think represents a diverse range of talented human capital.



As an external director, what do you emphasize within Capcom's Board of Directors?



Under its system of being a company with an audit and supervisory committee, Capcom's Board of Directors entrusts deliberation on what is called "execution of critical business" to the Corporate Management Council, which is primarily comprised of internal corporate officers, and said business is largely excluded from items brought up to the Board of Directors. Consequently, all basic matters related to business execution, except for business plans, budgets, and the like, are positioned as items reported on at Capcom's Board of Directors meetings. As an external director, I draw on my experience in similar roles at other companies and my legal knowledge as an attorney, and make sure to present questions and opinions to the Board of Directors addressing the consistency of decision making and the logic of judgment rationale pertinent to management.

Since I am an external director who is not an Audit and Supervisory Committee member, I am not directly involved in audits by that committee. However, as the chair of the Compliance Committee, I am involved in reports and deliberations on the status of Capcom's internal hotline and cases of compliance violations. Through these activities, I am committed to building ties with the Internal Control Division and other divisions, while also monitoring initiatives to prevent and, when necessary, quickly detect legal violations and inappropriate conduct.



What is necessary to further strengthen the functions of Capcom's Board of Directors, and what are your goals going forward as an external director?



Under the strong leadership of the CEO, who is Capcom's founder, the Company has not only handled risks, but has also channeled management resources in a courageous direction. In recent years, the Company has been devoting energy to new fields, such as global business expansion and the area of esports. With regard to promoting existing business, the Company has established and deployed the systems necessary for internal

control, while also progressively building and rolling out organizational and control structures for corporate governance that contributes to achieving even more intricate and flexible business expansion.

A challenge going forward—which I, as an external director, would like to have a hand in tackling—will be developing a governance structure able to propose and promote new, effective growth strategies even if the current CEO retires.



Message from an External Director

The fitness of Capcom's growth strategies

as seen by External Director Yutaka Mizukoshi

Since being appointed external director at the June 2018 Shareholders' Meeting, I have closely observed the structure of Capcom's marketing strategies from my perspective as a management consultant. Going forward, I will offer my advice and input on formulating and rolling out future strategies as Capcom pursues the business of creating markets around the globe.



Yutaka Mizukoshi
External Director
Independent Director

Q

One year has passed since your appointment as external director. How do you feel looking back at the year?

A

I get the impression that the environment surrounding Capcom is changing drastically. Even compared to a year ago, the digital strategies on which Capcom focused and promoted have yielded clear results. Furthermore, I have a visceral sense of the possibilities for new business development as the rapid global momentum of esports also spreads into Japan.

In this environment, I think that my role is to help Capcom continue its growth into the future by using my experience and knowledge as a management consultant while—from an independent, outside perspective as an external director—actively providing suggestions and advice to help structure and organize the Company's management. In particular, I would like to strengthen supervision of the Board of Directors by lending my efforts to building management-based marketing strategies.

Q

How do you feel about the current video game industry compared to the 1990s, when Capcom made its full-fledged entry into developing software for home video games?

A

It feels like just yesterday that a game could be built by a small team of developers over the course of a few months, and that physical cartridges were the only way games were sold. Through the advance of game consoles and PCs, plus the emergence of smartphones and the dramatic evolution of the communications environment, the platforms and sales regions of the video game market have rapidly expanded. Likewise, there has been a major transition in the industry's business environment, as the method of providing the product is changing from physical packages to digital distribution. Responding to this evolution, and given the longer duration and increasing complexity of developing blockbuster games, I think the industry has become a highly developed area, second to that of the automobile industry.

In this type of business environment, our approach to core marketing practices is of the highest importance for management. We must work out plans for the story of our long-term corporate growth and profit maximization. In my opinion, we must strive for one approach unifying marketing, development, and sales.



From your experience as a management consultant, what elements do you think are necessary for improving corporate value?



Management consultant professionals must offer concrete suggestions for transforming the companies we advise. At the same time, we have to provide proposals that the company can execute with its own resources.

In growth strategies, I think that, ultimately, the key elements for video game companies are how human resources are leveraged and how their development structures and environments are organized.

In that sense, I think that Capcom's key assets are being equipped with world-class development facilities, an environment with an array of high-tech equipment, and a successful track record of making quality games that have won the support of customers. I have seen a continuous stream of young developers who joined Capcom because they sought this sort of environment. Additionally, in terms of management, I would like us to maintain our commitment to creating new value alongside young talent while further creating a comfortable working environment for developers through initiatives such as the on-site childcare facility we have built.



What are the necessary elements for Capcom to grow its global business and what are your goals going forward as an external director?



Although video games are now widely recognized as a major industry, this is a somewhat new development.

As 5G, for example, emerges in the future, one of the features grabbing my attention is the elimination of latency in data transmission. This is expected to spur its adoption in various areas, including remote surgery in the medical field. In video games, too, I think there will likely be a revolution in content, through such activities such as multiplayer matches over the Internet.

Also, Capcom is carrying out other new initiatives, like esports, which could bring dramatic market transformations. My goal is to see Capcom, who owns globally competitive content, become a leading company in the video game industry.

To that end, as an external director, I would like to provide advice and input from various perspectives addressing Capcom's framework for advancing its strategies. At the same time, I feel called upon to fulfill the role of managing risk while avoiding opportunity cost, as we strive to improve corporate value.

Going forward, it is my goal to create a framework that yields new business chances for Capcom, while, as an external director, providing encouragement for management strategies aimed at further global growth.