

Corporate Governance Report

Last Update: November 1, 2018

SQUARE ENIX HOLDINGS CO., LTD.

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The corporate governance of SQUARE ENIX HOLDINGS CO., LTD. (the “Company”) is described below.

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

1. Basic Views

The Company is a pure holding company governing SQUARE ENIX Group, which develops a wide range of content and services. The Company believes that it is essential for the achievement of the Group’s continuous growth and the maximization of its corporate value in the medium and long term to respect the interests of all of the Company’s stakeholders such as shareholders, customers, business partners, employees and society, and to maintain good relationships with them under an agile, transparent, and sound management system. As such, the Company recognizes that the enrichment and enhancement of its corporate governance platform is a key management challenge, and the entire SQUARE ENIX Group devotes itself to that end on an ongoing basis.

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

The Company complies with all the principles of the new Corporate Governance Code (effective as of June 1, 2018).

Disclosure Based on the Principles of the Corporate Governance Code

[Principle 1.4: Cross -Shareholdings]

The company currently does not hold the shares of other listed companies for cross-shareholding purposes.

[Principle 1.7: Related Party Transactions]

The Company respects provisions of the Companies Act related to conflict-of-interest transactions between the Company and its directors, by obtaining prior Board approval and submitting a report on the transaction to the Board. The Company also requires the same procedures for transactions with non-director executive officers and those with major shareholders.

[Principle 2.6: Role as Corporate Pension Fund Asset Owner]

The company has no corporate pension.

[Principle 3.1: Enhancement of Disclosure]

(1) Company Objectives, Business Strategies, and Business Plans

The Company discloses the Corporate Philosophy and the Management Guidelines on the Company's website.

<http://www.hd.square-enix.com/jpn/company/philosophy.html>

The Company continuously discloses business strategies and business plans on the Company's website, in Annual Reports, Securities Reports, Notices of Convocation of the Annual Shareholders' Meeting, Earnings Summaries (*Kessan Tanshin*), results briefing materials, and so forth.

The Company also discloses English translations of the above business principles, business strategies and business plans on the Company's website, in Annual Reports, etc.

(2) Basic Views and Guideline on Corporate Governance

Please refer to "1. Basic Views" in I (Basic Views on Corporate Governance, Capital Structure, Corporate Profile, and Other Basic Information) of this Report. The Company believes that the implementation of each principle of the Corporate Governance Code increases the Company's corporate value, and therefore complies with all the principles.

(3) Remuneration for Directors

Please refer to "Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" in [Remuneration for Directors] in 1 (Organizational Composition and Operation) in II (Business Management Organization and Other Corporate Governance Systems Regarding Decision Making, Execution of Business, and Oversight in Management) of this Report.

(4) Policies and Procedures for Nominating Directors

Criteria and procedures for nominating directors are as follows:

- Nomination Criteria for Directors

1. Regardless of personal attributes such as gender and nationality, persons meeting the following criteria shall be eligible for nomination as director:

(a) Directors (excluding Directors who are Audit & Supervisory Committee Members):

Have extensive management experience and knowledge, advanced professional expertise and deep insight.

Directors who are Audit & Supervisory Committee Members:

Have broad expertise and insight in fields of expertise such as finance, accounting, legal, management, etc.

(b) Be able to contribute to the Company's sustainable growth and the enhancement of its corporate value over the mid to long term by understanding and implementing the Corporate Philosophy and Management Guidelines.

(c) Be able to contribute to ensure the Board's effectiveness through the enhancement of mutual checks and balances between directors.

2. So that the interests of general shareholders are directly represented on the Board, no fewer than 2 outside directors shall be appointed. Furthermore, with regard to Directors who are Audit &

Supervisory Committee Members, the majority of them shall be outside directors, and at least 1 nominee shall have appropriate knowledge pertaining to finance and accounting.

3. Outside directors shall satisfy the requirements for outside directors prescribed by the Companies Act and the independence standards set by the Tokyo Stock Exchange.

- Nominations Procedures for Directors

1. The President prepares a director nominee plan based on the nomination criteria for directors and the nomination procedures and refers the plan to the Remuneration and Nomination Committee.
2. The Remuneration and Nomination Committee discusses the nominee plan and reports its conclusions to the Board of Directors.
3. Based on the report of the Remuneration and Nomination Committee, the Board of Directors discusses and determines the nominee plan for directors. The nominee plan for Directors who are Audit & Supervisory Committee Members shall require the consent of the Audit & Supervisory Committee.

The following criteria serve as the basis for decision-making on dismissing a director (including dismissal without reappointment). Should any of the following apply, the Remuneration and Nomination Committee shall discuss whether dismissal is required, after which the Board of Directors shall make the final decision.

1. Behavior that violates or that may violate laws, regulations, or the Articles of Incorporation
2. Causing the Group serious losses and significant deterioration in its earnings
3. Discovery of failure to meet the Nomination Criteria for Directors
4. Other reasons for determining a lack of compliance with the Nomination Criteria for Directors

(5) Explanation of Individual Appointments for Directors

The Company individually discloses significant factors considered in the selection of nominees, such as detailed personal histories and backgrounds of each director nominee, in the Notice of Convocation of the Annual Shareholders' Meeting. The reasons for appointing nominees for outside directors are described in [Directors] - (Outside Directors' Relationship with the Company (2)) in 1 (Organizational Composition and Operation) in II (Business Management Organization and Other Corporate Governance Systems Regarding Decision Making, Execution of Business, and Oversight in Management) of this Report.

[Supplementary Principle 4.1.1: The Scope of the Delegation of Authority to the Management]

The Company's Articles of Incorporation, Board of Directors' Rules and Delegation of Authority Rules set forth clearly and objectively the allocation of authority between the Board and the management, including executive directors and executive officers. The Board retains the powers to resolve the matters that require the Board's resolution under the Companies Act and/or other relevant laws and regulations, and any other significant management matters such as management plan, business plan, budget, etc., whereas decision-making authority for other operational matters is delegated on an item-by-item basis to the management in accordance with the Delegation of Authorities Rules.

[Principle 4.9: Independence Standards and Qualifications for Independent Directors]

It is the Company's policy to appoint independent directors who meet the independence standards prescribed by the Companies Act and the Tokyo Stock Exchange.

[Supplementary Principle 4.11 (1): Overall Balance of the Board Composition, and the Policies and Procedures for Appointment]

It is the Company's policy to maintain a Board with diversified professional expertise and knowledge in order to ensure sound and swift decision making, appropriate supervision of management, and mutual checks and balances between directors. So that the interests of general shareholders are directly represented at the Board, at least 2 independent outside directors shall be appointed.

Regarding how directors are appointed, please also refer to "(4) Policies and Procedures for Nominating Directors" in [Principle 3.1: Enhancement of Disclosure]

[Supplementary Principle 4.11 (2): Concurrent Positions Held by Directors]

The Company discloses positions concurrently held by each director in the Notice of Convocation of the Annual Shareholders' Meeting.

[Supplementary Principle 4.11 (3): Analysis and Evaluation of the Effectiveness of the Board of Directors]

The way in which meetings of the Board of Directors were held in the fiscal year ended March 31, 2018 is described below. Moreover, the Company conducted a survey on the effectiveness of board meetings and received positive feedback on the effectiveness of the meetings from the Board members. Based on these factors, the Company confirms that the Board is functioning in an effective manner.

- In principle, Board meetings are held once a month (16 meetings were held in the fiscal year ended March 31, 2018), whereupon the Board engages in discussions and makes decisions on matters that require the Board's resolution in a timely manner.
- Each of the directors and auditors maintains a high attendance rate (100% for 4 directors and 3 auditors, and 93.7% for 2 directors in the fiscal year ended March 31, 2018). The Board meetings secure sufficient time for active discussions.
- The Board's execution of operations is subject to effective discipline, with the Board at times deciding as the result of discussions to revise or revisit proposed items.

The Company will continue to make further efforts to improve the effectiveness of the Board meetings by soliciting feedback from Board members in a timely manner.

[Supplementary Principle 4.14.2: Training Policy for Directors]

The Company takes the following measures to provide, at the Company's cost, directors with opportunities to acquire knowledge of laws and regulations as required for executing their duties and to better understand the Company's business and organization, as well as with other training opportunities.

- Explanations of each business unit's businesses and operations to newly appointed directors by the management executives of each division.
- Meetings between outside directors and management executives including one-on-one interviews.
- Providing Board members with analyst reports and other objective information regarding the Company's business on a regular basis.
- Providing Board members with opportunities to participate in trade shows and conferences hosted by industry organizations.
- Lectures by the Company's outside counsel on the latest legislative revisions and other legal issues.

[Principle 5.1: Policy for Constructive Dialogue with Shareholders]

It is the Company's policy to promote constructive dialogue with shareholders through the following mechanisms and initiatives:

- The Corporate Planning Division, which is responsible for shareholder/investor relations, is promoting dialogue with shareholders and investors under direct supervision of the President and with the cooperation of the management, accounting, legal and business divisions.
- The Company holds regular meetings for shareholders and investors such as semi-annual results briefings and small ad hoc meetings.
- The Company holds overseas IR meetings periodically.
- The Company actively discloses information to shareholders and investors in Annual Reports and on the Company's website. The Company actively responds to inquiries and interview requests from shareholders and investors.
- The Company reports to and shares information with the President and the Board on the results of dialogue with shareholders and investors, as well as on opinions and concerns received from shareholders.
- The Company centralizes the control of insider information by establishing the Most Sensitive Trade Secret Committee and appointing an Insider Information Management Manager. The Company also controls insider information in a strict manner in conducting dialogue with shareholders so as not to convey insider information due to a lack of caution.

2. Capital Structure

Percentage of Foreign Shareholders	30% or more
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Status of Major Shareholders

Name / Company Name	Number of Shares Owned	Percentage (%)
Yasuhiro Fukushima	23,626,020	19.81
Fukushima Planning Co., Ltd.	6,763,695	5.67
JP MORGAN CHASE BANK 380752	6,448,300	5.40
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,357,100	4.49
Japan Trustee Services Bank, Ltd. (Trust Account)	4,510,600	3.78
MSCO CUSTOMER SECURITIES	2,964,812	2.48
MSIP CLIENT SECURITIES	2,630,805	2.20
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,307,500	1.93
DNB BANK ASA-VERDIPAPIRFONDET DNB TEKNOLOGI	2,286,600	1.91
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	2,207,572	1.85

Controlling Shareholder (Except for Parent Company)	_____
Parent Company	None

Supplementary Explanation

On June 21, 2018, Invesco Asset Management (Japan) Limited submitted a report on its large shareholdings (change report) to the Director-General of the Kanto Finance Bureau.

3. Corporate Attributes

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

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

5. Other Special Circumstances Which May Have Material Impact on Corporate Governance

II. Business Management Organization and Other Corporate Governance Systems Regarding Decision Making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Structure of Organization	Company with Audit & Supervisory Committee.
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Directors

Maximum Number of Directors Stipulated in Articles of Incorporation	16
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	8
Election of Outside Directors	Elected
Number of Outside Directors	6
Number of Independent Directors	6

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Yukihiro Yamamura	From Other Company												
Yuji Nishiura	From Other Company												
Masato Ogawa	From Other Company												
Ryoichi Kobayashi	From Other Company												
Ryuji Matsuda	Attorney												
Tadao Toyoshima	CPA												

* Categories for "Relationship with the Company":

“○” When the director currently falls or has recently fallen under the category

“△” When the director fell under the category in the past

“●” When a close relative of the director currently falls or has recently fallen under the category

“▲” When a close relative of the director fell under the category in the past

- Executive of the Company or its subsidiaries
- Non-executive director or executive of a parent company of the Company
- Executive of a fellow subsidiary company of the Company
- A party whose major client or supplier is the Company or an executive thereof
- Major client or supplier of the Company or an executive thereof
- Consultant, accountant, or legal professional who receives a large amount of monetary consideration or other property from the Company other than compensation as a director/auditor
- Major shareholder of the Company (or an executive of said major shareholder if the shareholder is a legal entity)
- Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- Executive of a company with which the Company engages in mutual appointment of outside directors/auditors (the director himself/herself only)
- Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- Others

Outside Directors' Relationship with the Company (2)

Name	Audit & Supervisory Committee Member	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Yukihiro Yamamura		○	_____	Appointed an outside director in recognition of his track record of supervising and serving as a check on directors' execution of operations based on his wealth of experience and breadth of insight as an executive; designated an independent director since he has no risk of developing a conflict of interest with general shareholders.
Yuji Nishiura		○	_____	Appointed an outside director in recognition of his track record of supervising and serving as a check on directors' execution of operations based on his wealth of experience and breadth of insight as an executive; designated an independent director since he has no risk of developing a conflict of interest with general shareholders.
Masato Ogawa		○	_____	Appointed an outside director in recognition of his wealth of experience and breadth of insight in corporate management to supervise and serve as a check on directors' execution of operations; designated an independent director since he has no risk of developing a conflict of interest with general shareholders.
Ryoichi Kobayashi	○	○	_____	Possesses a wealth of experience and breadth of insight in corporate management, as well as a wealth of experience and a proven track record as an outside auditor for the Company. Appointed an outside director who is an Audit & Supervisory Committee Member to supervise and serve as a check on directors' execution of operations; designated an independent director since he has no risk of developing a conflict of interest with general shareholders.
Ryuji Matsuda	○	○	_____	A qualified attorney who possesses extensive expertise in finance and accounting matters and who has a wealth of experience and proven track record as an outside auditor for the Company. Appointed an outside director who is an Audit & Supervisory Committee Member to supervise and serve as a check on directors' execution of operations; designated an independent director since he has no risk of developing a conflict of interest with general shareholders.

Tadao Toyoshima	○	○	_____	A CPA who possesses extensive expertise in finance and accounting matters and who has a wealth of experience and proven track record as an outside auditor for the Company. Appointed an outside director who is an Audit & Supervisory Committee Member to supervise and serve as a check on directors' execution of operations; designated an independent director since he has no risk of developing a conflict of interest with general shareholders.
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Audit & Supervisory Committee

Committee's Composition and Type of Chairperson

	Audit & Supervisory Committee
Total Committee Members	3
Full-time Members	1
Directors	0
Outside Directors	3
Chairperson	Outside Director

Directors and employees who support the execution of duties by the Audit & Supervisory Committee	Assigned
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Matters regarding the Independence of the Relevant Directors and Employees from the Executive Officers

The Company designates persons belonging to the Internal Audit Department as the employees that are to assist with the duties of the Audit & Supervisory Committee. In order to ensure the aforementioned employees' independence from directors involved in operational execution, the Company specifies that persons belonging to the Internal Audit Department are to follow only the instructions and orders of the Audit & Supervisory Committee when providing assistance with its duties, and that decisions on personnel matters concerning the head of the Internal Audit Department, including but not limited to the appointment, transfer, and disciplining thereof, shall require the consent of the Audit & Supervisory Committee.

Cooperation Among Audit & Supervisory Committee, Accounting Auditors, and Internal Audit Department

Coordination between Audit & Supervisory Committee and Accounting Auditors
The Audit & Supervisory Committee and Accounting Auditors meet at the timing of quarterly and full-year results (i.e., a total of 4 times per annum) to report and exchange views. In addition, they arrange forums for exchanging views as appropriate, and incorporate the results of such discussions into the performance of their auditing duties.

Coordination between Audit & Supervisory Committee and Internal Audit Department
The Internal Audit Department regularly reports to the Audit & Supervisory Committee regarding operational audits, and, on an ongoing basis, incorporates the results of such discussions into the performance of its auditing duties.

Voluntary Committee

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

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Remuneration and Nomination Committee	Remuneration and Nomination Committee
All Committee Members	5	5
Full-time Members	0	0
Directors	1	1
Outside Directors	4	4
Outside Experts	0	0
Other	0	0
Chairperson	Director	Director

Supplementary Explanation

In order to ensure the objectivity and transparency of decisions made regarding executive remuneration and candidates for director positions, the Company has at its discretion established a Remuneration and Nomination Committee comprising outside directors and the President and Representative Director. This committee makes decisions regarding the Basic Policy on the Executive Remuneration System, the individual remuneration amounts for directors (excluding Directors who are Audit & Supervisory Committee Members), and the Guidelines on the Nomination Criteria for Directors.

Independent Directors

Number of Independent Directors	6
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Matters Relating to Independent Directors

The Company designates as independent directors all outside directors that fulfill the independent director criteria.

Incentives

Incentive Policies for Directors	Performance-linked remuneration, stock options
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Supplementary Explanation

1. To the President and Representative Director, the Company pays a performance-linked monetary remuneration consisting of fixed remuneration and remuneration linked to performance.
2. To Directors (excluding Directors who are Audit & Supervisory Board Members), the Company grants the Stock Acquisition Rights (Stock Compensation-Type Stock Options) as consideration for the performance of duties with the aim of giving incentives to enhance business performance, increase corporate value, and raise awareness of the importance of shareholders in the management of the Company.
3. To Employees, Subsidiaries' Directors and Subsidiaries' Employees, the Company grants the Stock Acquisition Rights (Stock Options) as consideration for the performance of duties with the aim of giving incentives to enhance business performance, increase corporate value, and raise awareness of the importance of shareholders in the management of the Company.

Recipients of Stock Options	Directors, Outside Directors, Employees, Subsidiaries' Directors and Subsidiaries' Employees
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Supplementary Explanation

The number of persons granted stock acquisition rights and the number of shares granted as of September 30, 2018 are as follows.

-Stock Acquisition Rights (Stock Compensation-Type Stock Options): the Company had granted 1,154 stock options (115,400 shares) to 5 directors (excluding Directors who are Audit & Supervisory Board Members).

-Stock Acquisition Rights (Stock Options): the Company had granted 4,442 stock options (444,200 shares) to 26 persons.

Remuneration for Directors

Disclosure of Individual Directors' Remuneration	Partial Disclosure
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Supplementary Explanation

The total remuneration for the Company's 6-member Board of Directors (of which, 2 are outside directors) in the fiscal year ended March 31, 2018 was ¥463 million (of which ¥30 million was paid to the outside directors). Three executives received total consolidated remuneration of ¥100 million or more. They were: Yosuke Matsuda, President and Representative Director, who received remuneration of ¥192 million; Philip Timo Rogers, Director, who received remuneration of ¥116 million (including remuneration from consolidated subsidiaries); and Keiji Honda, Director, who received remuneration of ¥104 million.

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

The Company's basic policy and determination process regarding executive remuneration system is as described below. Moreover, in order to ensure the objectivity and transparency of decisions made regarding executive remuneration and candidates for director positions, the Company has at its discretion established a Remuneration and Nomination Committee comprising outside directors and the President and Representative Director. This committee makes decisions regarding the Guidelines on the Executive Remuneration System and the individual remuneration amounts for directors (excluding Directors who are Audit & Supervisory Committee Members).

• Basic Policy on the Executive Remuneration System

1. Directors (excluding Directors who are Audit & Supervisory Committee Members):
The remuneration system shall be more tightly linked to corporate performance and shall establish a linkage between shareholder value and remuneration, thereby incentivizing the creation of corporate value over the longer term. Remuneration shall comprise base remuneration, which is monetary, and equity remuneration.
2. Directors who are Audit & Supervisory Committee Members:
In consideration of independence from management, only monetary remuneration shall be made.
3. Individual remuneration amounts shall be set within the confines of the remuneration allocation approved at the General Shareholders' Meeting and shall be determined based upon a comprehensive consideration of annual earnings and each director's performance in his/her role and contribution to corporate earnings, remuneration in past years, the need to retain talented human resources, remuneration trends at other comparable companies, and economic conditions.

• Director Remuneration Determination Process

1. Based on the Basic Policy on the Executive Remuneration System, the Remuneration and Nomination Committee decides the individual remuneration amounts for directors (excluding Directors who are Audit & Supervisory Committee Members). The President and Representative Director extends final approval based on the aforementioned decisions.
2. The Directors who are Audit & Supervisory Committee Members shall arrive by discussion at individual remuneration amounts for Directors who are Audit & Supervisory Committee Members based upon the Basic Policy on the Executive Remuneration System.

Supporting System for Outside Directors

The President and Representative Director makes reports as appropriate to the outside directors on key corporate matters and exchanges views with them. The President and Representative Director also arranges opportunities as appropriate for the outside directors to exchange information and views with the executive management.

Business-line managers also at appropriate times make reports to and exchanges views with the outside directors.

The full-time Audit & Supervisory Committee Member makes reports as appropriate to the outside directors who are Audit & Supervisory Committee Members on key corporate matters and exchanges views with them.

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

(1) In an effort to enhance its corporate governance, the Company transitioned to a Company with an Audit & Supervisory Committee following a resolution made at its 38th Annual Shareholders' Meeting held on June 22, 2018. The establishment of an Audit & Supervisory Committee comprising only outside director works to strengthen the Company's auditing and supervisory functions over its management.

Moreover, in order to clarify the separation between management and execution, the Company will strengthen the monitoring functions of the Board of Directors by staffing it primarily with outside directors. Meanwhile, the Company has established an organization to increase the efficiency and speed of operational execution by dictating in its Articles of Incorporation that the Board of Directors can empower directors to make decisions regarding the execution of key operational matters while concentrating operational execution authority in its Representative Director.

The Company has 5 directors (excluding those who are members of the Audit & Supervisory Committee), 3 of which are outside directors, and 3 directors who are members of the Audit & Supervisory Committee, all of which are outside directors, with 1 being full time. The Company designates all of its outside directors as independent directors as defined by the Tokyo Stock Exchange. The term of office for directors (excluding directors who are members of the Audit & Supervisory Committee) is set at 1 year, while the term of office for members of the Audit & Supervisory Committee is set at 2 years.

As a general rule, meetings of the Board of Directors are convened once a month, and deliberations and exchanges of opinions between the individual directors brings greater vitality to the management of the Company while also serving to sufficiently enhance the checking and balancing function that directors play for one another.

(2) As a general rule, the Audit & Supervisory Committee meets once a month and provides organized auditing and supervisory functions by utilizing internal control systems based upon the Audit Plan.

The Company employs Ernst & Young ShinNihon LLC as its accounting auditor under the Companies Act and its accounting auditor under the Financial Instruments and Exchange Act, undergoes accounting audits as an independent third-party, and works to ensure that Ernst & Young ShinNihon LLC can execute its duties smoothly. The following certified public accountants are responsible for the current fiscal year.

- Names of responsible certified public accountants

Designated Limited Liability Partners, Business Execution Partners: Kenichi Shibata, Hiroyoshi Konno

- Support team for accounting audit duties

13 certified public accountants; 21 junior certified public accountants

The Audit & Supervisory Committee and auditing firm meet at the timing of quarterly and full-year earnings (i.e., a total of 4 times per annum) to report and exchange views. In addition, they arrange forums for exchanging views as appropriate, and incorporate the results of such discussions into the performance of their auditing duties.

The Board of Directors, Internal Control Committee, and other relevant parties report as appropriate to the responsible parties in the internal control departments regarding such audits.

The Company has 6 outside directors. No special interests exist between the Company and its outside directors.

Reporting and exchanges of views regarding coordination between outside directors and the Internal Audit Department and auditing firm take place as appropriate at meetings of the Board of Directors, the Audit & Supervisory Committee, Internal Control Committee, and other relevant bodies.

(3) In order to ensure the objectivity and transparency of decisions made regarding executive remuneration and candidates for director positions, the Company has at its discretion established a Remuneration and Nomination Committee comprising outside directors and the President and Representative Director. This committee makes decisions regarding the Basic Policy on the Executive Officer Remuneration System, the individual remuneration amounts for directors (excluding Directors who are Audit & Supervisory Committee Members), and the Guidelines on the Nomination Criteria for Directors.

(4) Based on the stipulations of Article 427(1) of the Companies Act, the Company has entered into an agreement with its outside directors limiting liability for damages as defined under Article 423(1) of the same act.

Under the aforementioned agreement, liability for damages is capped at the higher of ¥10 million or the amount dictated by the relevant laws and regulations.

3. Reasons for Adoption of Current Corporate Governance System

In an effort to enhance its corporate governance, the Company transitioned to a Company with an Audit & Supervisory Committee following a resolution made at its 38th Annual Shareholders' Meeting held on June 22, 2018. The establishment of an Audit & Supervisory Committee comprising only outside director works to strengthen the Company's auditing and supervisory functions over its management.

Moreover, in order to clarify the separation between management and execution, the Company will strengthen the monitoring functions of the Board of Directors by staffing it primarily with outside directors. Meanwhile, the Company has established an organization to increase the efficiency and speed of operational execution by dictating in its Articles of Incorporation that the Board of Directors can empower directors to make decisions regarding the execution of key operational matters while concentrating operational execution authority in its Representative Director.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Revitalize the General Shareholders' Meeting and Facilitate the Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	In order to respond to investor needs, the Company mails notifications of General Shareholders' Meetings with more lead time than the 2 weeks stipulated by law (3 weeks this year).
Scheduling Annual General Meeting to Avoid the Peak Time	In addition to fulfilling its legal requirements, the Company endeavors to finalize the agenda of the General Shareholders' Meeting and coordinate the timing of the meeting as quickly as possible, thus enabling it to hold its meeting ahead of the peak days.
Allowing the Electronic Exercise of Voting Rights	The Company accepts online voting. It also participates in the Electronic Voting Platform.
Participation in Electronic Voting Platform	The Company participates in the Electronic Voting Platform.
Providing Convocation Notice in English	The Company provides on its website abridged English translations of the key portions of the convocation notice, General Shareholders' Meeting reference materials, business reports, and calculation documents.
Other	The Company posted a convocation notice on its website quickly after the Board of Directors had voted to convene the General Shareholders' Meeting and prior to mailing convocation notices.

2. IR Activities

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	The Company publishes its information disclosure policy on its website.
Regular Investor Briefings for Individual Investors	The Company hosts an IR conference after the General Shareholders' Meeting in order to engage in dialogue with individual investors. The briefing is delivered by the President and Representative Director and Subsidiary Director.
Regular Investor Briefings for Analysts and Institutional Investors	Briefing sessions or telephone conferences are held quarterly, with the President and Representative Director and Chief Financial Officer providing the briefing.
Regular Investor Briefings for Overseas Investors	The Company conducts overseas road shows where the President and Representative Director and head of the Corporate Planning Division provide briefings.
Posting of IR Materials on Website	The Company posts earnings summaries, earnings briefing materials (including the briefing by the President and Representative Director), securities filings, annual reports, General Shareholders' Meeting convocation notices, General Shareholders' Meeting overviews (e.g., Q&A content), voting results, etc. on its website.
Establishment of Department and/or Manager in Charge of IR	The corporate planning division is responsible for IR.

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Company establishes a Code of Conduct, IR Policy and Information Disclosure Policy and posts them on its website.
Promotion of environmental protection activities and CSR activities	<p>As part of its efforts to protect our environment, the Company promotes the sale of video games via digital downloads rather than in boxes, thus reducing the gas emissions that result from transporting packaged products and conserving resources by offering manuals and games in digital formats. Moreover, the Company works to minimize the environmental impact of its business activities in ways that include using recyclable materials in its packaged products.</p> <p>As part of its social responsibility initiatives, the Company complies with a rating system for home gaming software sold domestically in Japan so that customers can play its games with peace of mind. The rating system, which is operated by the Computer Entertainment Rating Organization (CERO), designates age appropriateness based upon game contents. The Company also complies with the Operational Guidelines for the Provision of Random Items in Networked Games established by the Computer Entertainment Suppliers' Association (CESA), an industry organization of which the Company is a member. In accordance with the guidelines, the Company provides information on all in-game items provided via paid loot boxes (a method by which randomized virtual items are provided in direct exchange for money or for virtual currency that can be purchased with money), as well as on the frequency with which such items are provided in order to help customers decide whether to purchase them. As the above illustrates, the Company complies with legal regulations as well as industry guidelines in order to provide its customers with a safer, more comfortable game play environment and services.</p>

Formulation of policies and others concerning information provision to stakeholders	The Company establishes an IR Policy and Information Disclosure Policy and posts them on its website.
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IV. Matters Related to the Internal Control System

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

By maintaining and promoting the Guidelines on the Development of an Internal Control System, which were passed by the Board of Directors, the Company works to establish comprehensive reach for its auditing and supervisory functions and to ensure that its operations are executed in accordance with laws and regulations as well as its Articles of Incorporation.

Guidelines on the Development of an Internal Control System

1. System for ensuring that the duties of directors and employees of the Company and of the employees, directors, etc. of its subsidiaries are executed in accordance with laws and regulations as well as the Company's Articles of Incorporation

(1) In order to put into action the Corporate Philosophy of the Company and its subsidiaries (subsidiaries will be referred to hereinafter as "Group companies;" the Company and Group companies will collectively be referred to hereinafter as the "Group"), the Company creates the Code of Conduct as the guideline to complying with laws and regulations, the Articles of Incorporation, social norms, corporate ethics, etc., and familiarizes its executive officers and employees with it.

(2) The Company and the primary Group companies establish an Internal Control Committee to provide inter-organizational oversight of initiatives within the Group aimed at legal and regulatory compliance as well as risk management.

(3) The Company and the primary Group companies establish Internal Audit Departments independent of operational execution departments in order to implement internal audits in coordination with the legal departments and other functions.

(4) The Company and the primary Group companies establish whistle-blowing systems in order to enable the early discovery, reporting, and prevention of improper activities.

2. System for storing and managing information related to the execution of the duties of the Company's directors

(1) The Company sets forth Document Management Rules, Trade Secret Management Rules, and Basic Rules on Information Systems in order to ensure the proper storage and management of the minutes of Board of Director and other meetings, approval requests, and other documents related to the execution of duties (including electronic records).

(2) The Company's directors can access such information as necessary.

3. Rules and other systems regarding the management of risk of losses at the Company and Group companies

(1) The Company sets forth Crisis Management Rules in order to enact comprehensive risk management focused on the prevention of crises at the Group, while also clarifying how information would be communicated and the system by which a crisis would be dealt with in the unlikely event that one should arise.

(2) The company's Internal Audit Department assesses the implementation of risk management at primary Group companies and reports the results to the Internal Control Committee.

4. System for ensuring that the duties of the Company's directors and those of the directors, etc. of the Group companies are executed efficiently

(1) The Company's policy is for its directors to focus on the running of the Company and the management and supervision of Group companies. Therefore, in order to enable the efficient and timely running of Group companies, the Company directors delegate authority related to decision-making in connection with the execution of the duties of Group company directors to the Group company directors within defined parameters. The decision-making authority to be delegated is clearly defined in the Delegation of Authority Rules.

(2) The Company establishes an Information Systems Operations Committee to control information systems on the whole. The Company also sets forth the Basic Rules on Information systems, which clearly define the methods by which information systems are managed and operated in the Group in order to ensure the efficiency of duties executed using information systems.

5. System for reporting to the Company on matters related to the execution of the duties of the directors, etc. of Group companies and other systems for ensuring appropriate operations within the corporate group comprising the company and its subsidiaries

(1) The Company sets forth the Affiliate Company Management Rules and engages in the management and supervision of Group companies in a manner befitting the scale of said companies and their importance of the Group.

(2) Based on the aforementioned rules, the Company requests reports regarding the running of Group companies and other important information, and by employing methods such as holding monthly and ad-hoc briefings, the primary Group companies make it possible for the Company to assess the status of the running of Group companies in a timely fashion as well as to take necessary measures in a timely and accurate fashion.

6. Matters related to employees who should assist with the Audit & Supervisory Committee duties

The Company designates those persons belonging to the Internal Audit Department as the employees that should assist with Audit & Supervisory Committee duties.

7. Matters concerning the ensuring of the independence of the employees mentioned in 6 above from the Company's directors who are not Audit & Supervisory Committee Members and the enforcement of the Company's Audit & Supervisory Committee's instructions to the aforementioned employees

(1) Those persons belonging to the Internal Audit Department shall follow only the directions and orders of the Audit & Supervisory Committee when assisting with the Audit & Supervisory Committee's duties.

(2) Decisions on personnel matters concerning the head of the Internal Audit Department, including but not limited to the appointment, transfer, and disciplining thereof, shall require the consent of the Audit & Supervisory Committee.

8. System concerning reporting to the Company's Audit & Supervisory Committee

(1) If requested by the Company's Audit & Supervisory Committee to report on the status of the execution of operations, the Group's executive officers and employees shall report to the Company's Audit & Supervisory Committee without delay. Moreover, if the same persons should discover facts that have resulted in significant damage to the Group or facts that risk resulting in the same, the aforementioned persons shall immediately make a report to the Audit & Supervisory Committee.

(2) The Company's Internal Audit Department shall report to the company's Audit & Supervisory Committee in a timely fashion on the results of audits at primary Group companies.

(3) The Company establishes a whistle-blowing system for which the full-time Audit & Supervisory Committee Member is the point of contact in order to ensure that the executive officers and employees of the Group have the opportunity to report directly to the Audit & Supervisory Committee.

(4) The Company forbids the unfair treatment of Group executive officers or employees that have made reports to the Audit & Supervisory Committee on the grounds that they have made such reports.

9. Other systems for ensuring that the audits of the Audit & Supervisory Committee are conducted effectively

(1) The Company ensures that the full-time Audit & Supervisory Committee member has regular opportunities to exchange views with the directors and employees by attending meetings of the Board of Directors and other important meetings.

(2) The Company establishes a system by which the Audit & Supervisory Committee members can access the minutes of important meetings, contracts, approval requests, accounting information, etc. as needed.

(3) When an Audit & Supervisory Committee member has requested that the Company in advance or in the form of a reimbursement bear expenses related to the execution of the Audit & Supervisory Committee member's duties, the Company shall bear the costs or debts except in such cases where the costs or debts have been determined to be unnecessary to the execution of the relevant Audit & Supervisory Committee member's duties.

2. Basic Views on Eliminating Anti-social Forces

The Company has always designated a department responsible for dealing with antisocial forces and has as an organization taken a resolute stance in dealing with the same and eliminating any and all relations with the same. In order to ensure the independence of its business partners, the Company includes in its contracts with business partners a clause requiring the relevant business partner to vow to have no relations with antisocial forces.

V. Other

1. Adoption of Anti-takeover Measures

Adoption of Anti-takeover Measures	Not Adopted
Supplementary Explanation	

2. Other Matters Concerning the Corporate Governance System

<p>The status of the Company's current internal system concerning timely disclosures is described below.</p> <ul style="list-style-type: none">▪ The Company's guideline is to disclose information in a timely and appropriate fashion in order to deliver useful information to its investors. Specifically, the Company discloses in a timely fashion information with significant impact on investment decisions in accordance with the Timely Disclosure Rules set forth under the Financial Instruments and Exchange Act and by the Tokyo Stock Exchange, and proactively discloses other information determined to be useful for understanding the Company.▪ In order to obtain understanding regarding the Group's earnings and future potential, the Company is proactive in disclosing information in a timely and appropriate fashion via direct communications by the President. Specifically, the President serves as a speaker in order to proactively disseminate information at second-quarter and full-year results briefings, domestic and overseas IR road shows, and at the IR conferences that serve as a forum for direct dialogue with individual investors.▪ The primary departments involved in timely disclosure are the Accounting and Finance Division, which engages in duties associated with financial results, budget management, capital management, etc., and the Corporate Planning Division, which engages in duties associated with organizing key meetings, managing rules, equity procedures, drafting corporate plans, managing affiliate companies, IR, etc. The generation and publication of disclosure documentation is subject to internal audits by the Internal Audit Department, which provides regular assessments of their legal compliance and appropriateness.▪ The Accounting and Finance Division is responsible for generating and submitting securities filings and calculation documents set forth by the Companies Act, while the Corporate Planning Division is responsible for generating and submitting disclosure documentation to the Tokyo Stock Exchange. <p>The aforementioned responsible departments collect drafts that have been drawn up and checked by the relevant teams, organize them into disclosure documentation, and submit them. Once the documentation drafts have been generated and repeatedly checked by the relevant teams, they are submitted to the Board of Directors for approval. After financial result figures have been approved by the Board of Directors, they are immediately disclosed in a timely fashion on the order of the Chief Financial Officer, who is responsible for the handling of information.</p> <ul style="list-style-type: none">▪ The Corporate Planning Division conducts the timely disclosure of decisions and incidents in cooperation with the accounting and financial department. <p>Decisions are those that have been passed or approved by the designated decision-making body or approver in accordance with the approval authorities prescribed by the Delegation of Authority Rules.</p> <p>The head of the Corporate Planning Division engages in discussions with the Chief Financial Officer, who is responsible for handling information, regarding decisions that have passed through the aforementioned processes to consider whether, based on the Timely Disclosure Rules set forth by the Tokyo Stock Exchange, said decisions need to be subject to timely disclosure and if so, by what means.</p> <p>If the decisions require timely disclosure, the head of the Corporate Planning Division will order the relevant teams to generate disclosure documentation.</p> <p>Furthermore, in the event that a significant incident should be identified in an internal department, the head of the department that has identified said incident shall immediately report the same to the President and the head of the Corporate Planning Division. The head of the Corporate Planning Division shall, after engaging in discussion with the President and the Chief Financial Officer, who is responsible for handling information, consider whether, based on the Timely Disclosure Rules set forth by the Tokyo Stock Exchange, said decisions are subject to timely disclosure and if so, by what means.</p> <p>Going forward, rapid expansion in the scale and scope of the Company's businesses is likely to result in a greater diversity of decisions and incidents. As such, the Company will work to revisit its decision-making processes and system of checks on an ongoing basis in order to maintain appropriate timely disclosures.</p>
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