

# » Environment, Social and Governance

## Sustainability Initiatives

Impact of climate change-related risks and earnings opportunities on business activities and earnings

### Organizational Governance Relating to Climate-Related Risks and Opportunities

- The Board of Directors will evaluate and monitor climate change-related risks and executive management's measures to counter them based on reports provided as appropriate by the President and Representative Director.
- The President and Representative Director will analyze the risks according to the scope of our Group business activities, formulate and execute requisite measures, and report regularly to the Board of Directors.

### Strategies

#### Risks and their impact

- Rise in business costs with future introduction of policies such as carbon taxes
- Rise in cost of materials, production and procurement costs with restrictions on use of plastic
- Disruptions to business continuity, physical damage, and impact on employee workstyles and lifestyles from natural disasters and global warming

#### Opportunities and their impact

- Carbon tax reduction via shift to renewable energy
- Reduced costs such as for plastic with increased shift to digital

#### Addressing the risks and opportunities for the Group

- We recognize that switching our source of electricity to renewable energy would be an effective and feasible method of limiting our Group greenhouse gas emissions. We have plans to switch each of our Japanese offices and data centers to renewable energy, and will further consider our handling of emissions from other facilities.

### Risk Management

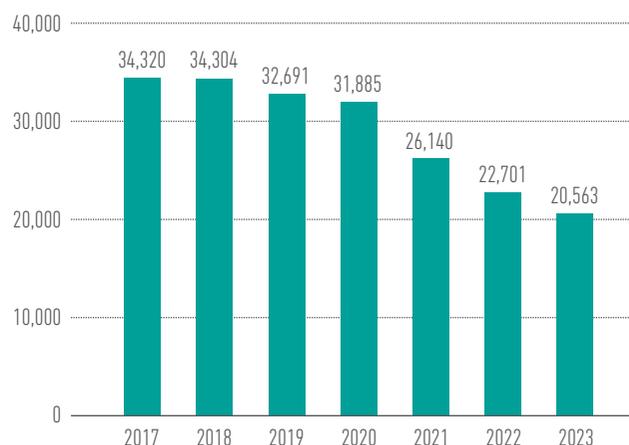
- The President and Representative Director will appoint an executive officer to take responsibility for the implementation of necessary measures in relevant departments associated with the risks in question.
- We will calculate the level of CO<sub>2</sub> emissions pertaining to electricity usage at facilities used by our Group and track our progress relative to our reduction targets.

### Metrics and Targets

- Our quantitative metric is the amount of CO<sub>2</sub> emitted by Japanese offices, data centers, and amusement facilities through the use of electricity. We target virtually zero emissions from Japanese offices and data centers by 2030. We aim to reduce emissions from amusement facilities by 50% by 2050.

#### CO<sub>2</sub> emissions from electricity use

(tCO<sub>2</sub>) \*Figures include some approximations and interim figures.



## Environmental and Social Initiatives

Through its environmental and social initiatives, the Group works to bolster our corporate value and create sustainable growth.

### Environmental Protection Initiatives

By its nature, our core Digital Entertainment segment has a relatively small environmental footprint. The Group nonetheless strives to run its operations mindful of the need for even greater environmental protection. Game contents can be sold either by recording them on optical disks that are packaged and delivered to our customers via physical distribution channels or by having our customers download them from servers directly to their game consoles, computers, or other devices. Promoting digital downloads is one way we work to protect the environment. It enables us to reduce the emissions that result from transporting physical products and to conserve the resources that are used to make them. We also use recyclable materials in the production of our physical products and otherwise strive to operate with a minimum environmental footprint.

### Social Contribution Initiatives

#### Providing a safer, more comfortable game-play environment

As part of our social responsibility initiatives, we label the consumer games our Group sells in regions such as Japan, North America, and Europe with age suitability and other information as dictated by the ratings systems of the applicable countries\*1. For the mobile games we provide in Japan, we comply with the “Operating Guidelines for Random Item Distribution in Network Games”\*\*2 established by the Computer Entertainment Supplier’s Association (CESA) and indicate the odds associated with all in-game items for which users pay. In this way, we provide our customers with a safer and securer game-play environment.

\*1 Under Japan’s rating system, which is controlled by the Computer Entertainment Rating Organization (CERO), we label our games to indicate the age group for which the game contents are suitable.

\*\*2 In order to help our customers make purchase decisions, we list all the in-game items provided via fee-based “Gacha” or loot boxes (a method of providing random in-game items in direct exchange for money or for virtual currency that can be purchased with real money) and the odds of obtaining them.

#### Collaborations with academia to support the development of society and our industry

Our Group actively engages in joint initiatives with academia in an effort to pursue new possibilities in expression and to further the development and messaging power of the content industry.

In 2017, we asked ourselves, “What would it be like if there were a

Department of Games at the Tokyo University of the Arts?” To answer that question, we created just such a department for a limited time with the help of the university’s Graduate School of Film and New Media and its Center of Innovation. We held an exhibition in each of the next two years that showcased works from a variety of projects under the mentorship of creators from our Group company Luminous Productions Co., Ltd. (merged with Square Enix in May 2023) These initiatives paved the way for the creation in the fiscal year ended March 2020 of the Game Course at the Graduate School of Film and New Media at the Tokyo University of the Arts. In addition, the employees of the Group also conduct a series of eight lectures on “Art and Information,” a course available for all students at the university’s Art Media Center. Each year they share their expertise in various fields of game production from the perspective of the students. We will continue to cooperate with the university’s attempt to “view games as a field of art and contribute to expanding the possibilities of games and the field of visual expression through research and production,” and will work to develop human resources involved in the entertainment industry.

Additionally, from 2021 to the second semester of 2022, we held a series of special lectures on game planning at the Faculty of Global Informatics at Chuo University. In addition to the programming and graphics skills required to develop a game, employees from our Group company Square Enix Co., Ltd. had covered a wide variety of topics in the lectures, including translation, artificial intelligence, and visual art direction, which were well received.

From the second semester of 2021, we are also collaborating with the Matsuo Lab at the University of Tokyo’s School of Engineering to provide a sponsored course on world models and simulators. In addition to offering lectures focused on simulations and deep learning with the cooperation and supervision of our Group company SQUARE ENIX AI & ARTS Alchemy, we are developing games that incorporate this technology into actual games. We will continue to collaborate with the Matsuo Lab, which is a leader in the field of deep learning in Japan, in an effort to further enhance the technology for constructing simulations for games and other digital content and to pursue potential applications for that technology.

## Human Resources Initiatives

“To spread happiness across the globe by providing unforgettable experiences.” That is the Group’s corporate philosophy, and the Group works to provide an environment that consistently embodies it. An internal environment in which all employees can fully demonstrate their potential is one that gives rise to creative and innovative ideas. The Group provides that sort of corporate culture and workplace environment, while also establishing human resource programs that support a diversity of working styles. The following programs implemented by SQUARE ENIX CO., LTD. (“Square Enix”) are prime examples of the Group’s human resource initiatives.

### Human Resource Training

Helping all employees grow and maximizing their individual manifest abilities while also ensuring they can bring those attributes to bear in the best way possible serves as a major driver of sustainable growth for the Group. Square Enix proactively engages in human resource training through a variety of opportunities.

#### New employee onboarding: “GAME DEV BOOT CAMP”

New employees are divided into teams and experience a mock game development effort that starts with planning and continues all the way through to launch. They acquire basic job skills and experience the importance of working



collaboratively with teammates firsthand. In addition, the process inspires participants to tackle new challenges without fear of failure. Once employees are assigned to their respective workplaces, they receive on-the-job training that emphasizes their own agency by encouraging them to think, decide, and act on their own.

#### Compliance training

Square Enix provides compliance training primarily to managerial employees to ensure that they have an accurate understanding of the regulatory environment as it relates to Square Enix’s businesses and use that understanding to inform their daily business activities. Focuses include Japan’s Labor Standards Act, Copyright Act, Payment Services Act, and Act against Unjustifiable Premiums and Misleading Representations. Square Enix also undertakes informational and awareness initiatives targeting the entire employee body in order to ensure that employees gain a better understanding of compliance topics and to further raise compliance consciousness companywide.

#### Global resource training

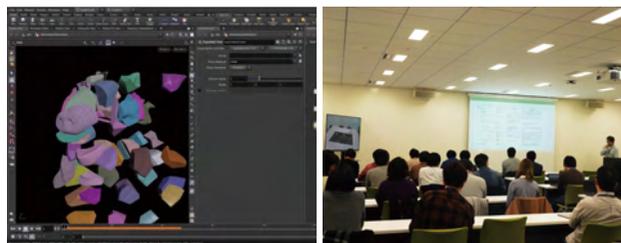
With employees encountering more and more opportunities for global communication, the demand for English skills is greater than ever. Square Enix helps non-English speaking employees enhance their language skills, including by offering English classes at the office and online.

#### Cutting-edge technology training and in-house development knowledge workshops

In order to enhance the technological literacy of Square Enix’s employees regarding cutting-edge technologies such as AI (artificial intelligence) and blockchain and to leverage such technologies in its content development efforts, Square Enix regularly holds information-sharing meetings and internal seminars, and also promotes the sharing and self-study of information on cutting-edge technologies using our online resources. Additionally, Square Enix provides numerous opportunities for sharing actual content development knowledge across divisions and projects to encourage efficient and high-quality content development. Furthermore, to address the lack of communication resulting from employees working from home, we are promoting various revitalization measures through the exchange of technology centered on these themes of cutting-edge technology and in-house knowledge.

#### Basic skills training and reskilling

We offer basic development skills training for new graduate employees to acquire the fundamental skills such as various DCC tools and engines which are necessary for development. For other employees, we also provide opportunities to understand new tools and engines in response to reskilling needs in order to raise the level of employees’ development skills.



## Working Style Diversification

Employees view their work through the lens of an increasingly diverse range of values, and their needs change as they progress through different stages of life. In order to accommodate such diversity and change, Square Enix has introduced working options and unique benefit programs that go above and beyond legal requirements in order to help its employees enjoy an optimal work-life balance.

### “Daycare concierge service”

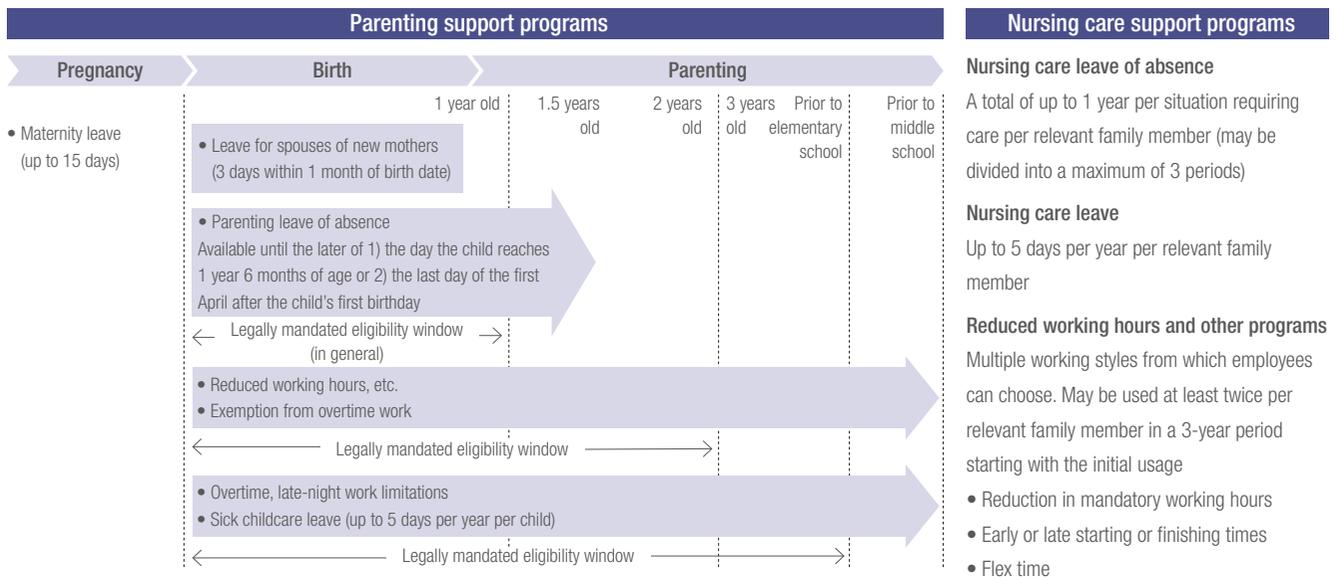
Employees have access to a third-party “daycare concierge service.” Experts share know-how, information, and advice to help new parents efficiently identify the best daycare option for them and make a smooth transition back to the workplace after the birth of a child.

### Work-from-home program

We officially institutionalized our work-from-home program as of December 1, 2020, with the goals of creating a flexible and diverse working environment, further enhancing productivity, and achieving the optimal work-life balance. The program is available to all executive

officers and employees of all job types. At present, approximately 80% of our employees work from home.

The program gives employees more options about how they work and enables us to attract diverse human resources. We will also build the capacity to respond to unexpected situations such as disasters and changes in employment models. We will work to further enhance our corporate value by providing our employees with new ways of working for a new world so that they can be even more creative and continue to deliver content and services that meet the expectations of our customers around the globe.



### Information Technology Division



#### Yoshimasa Ohtsuka

I took parenting leave for about six months after receiving warm words and support from many team members who understood the importance of childcare and encouraged me to actively use

the system. Having the time to devote to childcare allowed me to be close to my child, who has been growing day by day since being born. Also, by splitting the housework and childcare duties 50-50 with my wife, I gained a better understanding of the difficulties of childcare and those who are already raising a child.

Since returning to work, I have been able to continue to spend time with my family by working from home and using the flex time program.

### Publication Business Unit



#### Saki Sakesaku

I was pregnant with twins and had an imminent premature delivery and took maternity and parenting leave earlier than expected. In consideration of my twin pregnancy, I was

allowed to transition out of work early, allowing me to take the leave with peace of mind. After returning to work, I was able to balance work and raise twins by choosing reduced working hours. Although my twins often get sick, I am able to work while taking turns with my husband in taking care of them by using the work-from-home and flex time programs.

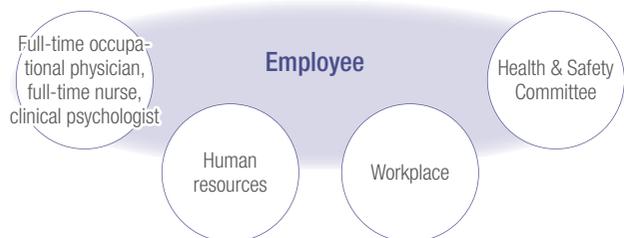
I am very grateful for the support of colleagues in the workplace, which has helped me to keep my duties on track.

### Health and Productivity Management

In order to provide its customers with the best products and services, employees have to be healthy. Having employees that are mentally and physically healthy and helping them improve upon that health is therefore a key priority for Square Enix. As such, it undertakes a variety of initiatives to communicate the importance of daily health management and regular exercise in order to promote a corporate culture where all employees are mindful of and take good care of their health.

aim for the targeted number of steps while taking on various game challenges on the way. In addition to these efforts, we will continue to proactively provide measures to improve the health of our employees.

#### Enhancing occupational health and safety



#### Support for physical exercise regardless of workstyles

As workstyles based on work-from-home become the norm, we are providing monthly online health initiatives that employees can participate in from home, including stretch programs by professional instructors and yoga lessons. Additionally, walking events to improve employee health as well as encourage in-house communications are held twice a year, in spring and fall, where employees team up and using pedometer apps,



Live online stretching class



PC wallpaper designed by a Square Enix employee promoting the walking event

#### Providing incentives for health promotion activities

To create a sustainable environment in which employees can take the initiative to improve their health, we have introduced a point-based incentive system for activities that contribute to employee health, such as participating in exercise programs, recording lifestyle habits, and accessing health promotion information.



Implemented internally under the name Wellness-HP

# Corporate Governance

## 1. Overview of Corporate Governance

### (1) Basic views on corporate governance

The Company is a pure holding company governing the 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 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 is a key management challenge, and the entire Group devotes itself to that end on an ongoing basis.

### (2) Overview of corporate governance system and objectives

In an effort to enhance its corporate governance, the Company transitioned to a company with an Audit & Supervisory Committee as of June 22, 2018. The establishment of the Audit & Supervisory Committee comprising only outside directors 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 has strengthened 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.

The Company has seven directors (excluding those who are members of the Audit & Supervisory Committee), four of which are outside directors, and three directors who are members of the Audit & Supervisory Committee, all of which are outside directors, with one being full time. The Company designates all of its outside directors as independent directors as defined by the Tokyo Stock Exchange rule.

As a general principle, meetings of the Board of Directors are convened once a month, and deliberations and exchanges of opinions between the individual directors bring greater vitality to the management of the Company while also serving to sufficiently enhance the mutual check and balance between directors.

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 the Remuneration & Nomination Committee on which the majority is formed by independent outside directors and the chairperson is an independent outside director. This committee determines the individual amounts and the nature of remuneration for directors (excluding directors who are Audit & Supervisory Committee members) based on the basic policy on the executive remuneration system set forth by the Board of Directors, determines the nomination criteria for directors, and also determines candidates for directors, etc., to be submitted to the Board of Directors.

As a general principle, the Audit & Supervisory Committee meets once a month and based on the Audit & Supervisory Committee Standards, and in light of the status of the development and operation of internal control systems, audits the legality and appropriateness of directors' execution of their duties, in coordination with the Internal Audit Department. A member of the Audit & Supervisory Committee possesses extensive expertise in finance and accounting matters.

In the interest of executing and advancing management initiatives, the Company has established the role of executive officer in order to clearly identify the party responsible for operational execution in each domain and to strengthen cross-functional ties. This report includes a list of the Company's incumbent executive officers.

The Board of Directors has passed a resolution establishing the Company's Guidelines on the Development of an Internal Control System. By maintaining and promoting these guidelines, the Company works to ensure that auditing and supervisory functions are robust, to confirm that all business activities comply with all relevant laws and regulations and the Company's Articles of Incorporation, and to enhance the efficiency of the directors' exercise of duties.

Moreover, the Company clearly specifies the importance of compliance in the Code of Conduct in order to ensure a rigorous compliance system. The Company has established the Internal Control Committee and whistle-blowing systems, through which Company-wide compliance measures are integrated across organizational reporting lines. With regard to the management and operation of the Company's information systems, which form the foundation of IT controls and efficient operational functions, the Company has established the Information System Management Committee to oversee information systems on a Company-wide basis.

In addition, to ensure the maintenance of a robust risk management

system, Company-wide risk management measures are integrated across organizational reporting lines. This is achieved through the reinforcement of relevant control divisions, and the establishment of the Internal Control Committee and whistle-blowing systems.

To ensure its subsidiaries properly execute business activities, the Company has set forth rules on affiliate company management and engages in the management and supervision of subsidiaries in a manner

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

The members of the main meeting bodies are as follows:

⊙: Chairman or Committee chairperson

Position	Name	Board of Directors	Audit & Supervisory Committee	Remuneration & Nomination Committee	Internal Control Committee
President and Representative Director	Takashi Kiryu	⊙		○	⊙
Director	Yoshinori Kitase	○			
Director	Yu Miyake	○			
Outside Director	Masato Ogawa	○		⊙	
Outside Director	Mitsuko Okamoto	○		○	
Outside Director	Abdullah Aldawood	○			
Outside Director	Naoto Takano	○		○	
Outside Director (Standing Audit & Supervisory Committee Member)	Nobuyuki Iwamoto	○	⊙	○	○
Outside Director (Audit & Supervisory Committee Member)	Tadao Toyoshima	○	○		
Outside Director (Audit & Supervisory Committee Member)	Hajime Shinji	○	○		
Chief Legal Officer	Hajime Seki				○
Chief Accounting Officer	Atsushi Matsuda				○
General Manager of Internal Audit Office	Satoshi Shinohara				○

### (3) Overview of liability limitation agreements

The Company has liability limitation agreements in place with its outside directors in accordance with Article 427, Paragraph 1 of the Companies Act to limit liabilities provided under Article 423, Paragraph 1 of the Companies Act. These agreements limit the liability of each outside director to ¥10 million or the legally specified amount, whichever is greater.

### (4) Overview of the executive liability insurance policy

The Company has entered into an executive liability insurance policy with an insurer in order to offset damages that the insured parties may incur arising from accepting liability involving the execution of their duties or being subject to claims associated with efforts to hold them liable for

reasons involving the execution of their duties (provided, however, that the damages in question are not the result of willful misconduct or gross negligence). The insured parties under such insurance policy are directors and employees, etc., of the Company and its subsidiaries. The insurance premiums are paid entirely by the Company.

### (5) Prescribed number of directors

The Company's Articles of Incorporation stipulate that the number of directors (excluding directors who are Audit & Supervisory Committee members) shall not exceed 12 and the number of directors who are Audit & Supervisory Committee members shall not exceed four.

#### (6) Resolution requirements for the election of directors

The Company's Articles of Incorporation stipulate that resolutions for the election of directors shall not be made by cumulative voting, but by a majority of affirmative votes of shareholders exercising their voting rights at the General Shareholders' Meeting where shareholders in attendance hold one-third or more of outstanding voting rights.

#### (7) Bodies able to determine dividends paid from retained earnings

The Company's Articles of Incorporation stipulate that matters provided under Article 459, Paragraph 1 of the Companies Act may be determined by the Board of Directors unless legally stipulated otherwise. The objective of this provision is to expand flexibility in execution of capital policies.

#### (8) Exemption of directors' liability

Pursuant to Article 426, Paragraph 1 of the Companies Act, the Company's Articles of Incorporation stipulate that directors (including former directors) may be exempted from liability for actions related to Article 423, Paragraph 1 of the Companies Act, up to the limit provided by law, through a resolution passed by the Board of Directors. The objective of this provision is to ensure the maintenance of an environment in which directors may execute their duties to the maximum of their abilities and are able to fulfill the roles expected of them.

#### (9) Matters requiring special resolutions at the General Shareholders' Meeting

The Company's Articles of Incorporation stipulate that the special resolutions provided under Article 309, Paragraph 2 of the Companies Act may be passed by two-thirds or more of affirmative votes of shareholders exercising their voting rights at the General Shareholders' Meeting where shareholders in attendance hold one-third or more of outstanding voting rights. The objective of this provision is to ensure smooth proceedings of the General Shareholders' Meeting by relaxing the special resolution requirements.

#### (10) Status of attendance of Board of Directors meetings

Name (Position)	Status of attendance of Board of Directors meetings for the fiscal year ended March 31, 2023
Yosuke Matsuda (President and Representative Director)	100.0% (17 out of 17 meetings)
Takashi Kiryu (Director)	100.0% (13 out of 13 meetings)
Yoshinori Kitase (Director)	100.0% (13 out of 13 meetings)
Yu Miyake (Director)	92.3% (12 out of 13 meetings)
Yukihiko Yamamura (Outside Director)	100.0% (17 out of 17 meetings)
Yuji Nishiura (Outside Director)	100.0% (17 out of 17 meetings)
Masato Ogawa (Outside Director)	100.0% (17 out of 17 meetings)
Mitsuko Okamoto (Outside Director)	100.0% (17 out of 17 meetings)
Abdullah Aldawood (Outside Director)	94.1% (16 out of 17 meetings)
Naoto Takano (Outside Director)	100.0% (13 out of 13 meetings)
Nobuyuki Iwamoto (Outside Director (Standing Audit & Supervisory Committee Member))	100.0% (13 out of 13 meetings)
Tadao Toyoshima (Outside Director (Audit & Supervisory Committee Member))	100.0% (17 out of 17 meetings)
Hajime Shinji (Outside Director (Audit & Supervisory Committee Member))	100.0% (17 out of 17 meetings)

\*The total number of meetings held is that of the period during which the relevant director was serving.

#### (11) Status of outside directors

- (i) Personal, financial, business or other relationships constituting conflicts of interest with the Company

The Company has seven outside directors, and no conflict-of-interest relationships exist between the Company and its outside directors.

- (ii) Functions and roles under the Company's corporate governance structure

Masato Ogawa and Naoto Takano possess abundant experience and broad-ranging insight as corporate executives. While having had no previous involvement with corporate management, Mitsuko Okamoto possesses abundant experience and broad-ranging knowledge and insight in the field of animation and other content. Abdullah Aldawood possesses a track record as a national leader in the development of the

field of entertainment in the Kingdom of Saudi Arabia, abundant experience in international financial institutions, and a wealth of experience and broad-ranging insight in global corporate management. Based on these attributes, each of them has, since assuming the role of outside director, supervised and served as a check on directors in the execution of their roles. In addition, at Board of Directors meetings, they have provided comments from an independent perspective with the goals of enabling the sustained growth of the Group, bolstering its corporate value over the medium and long term, and further enhancing its corporate governance capabilities.

The functions and roles of Nobuyuki Iwamoto, Tadao Toyoshima, and Hajime Shinji under the Company's corporate governance structure are described in (1) Status of audits by Audit & Supervisory Committee under 2. Status of Audits below.

(iii) Standards and policy on independence from the Company in the appointment of outside directors

The Company has not established any particular provisions regarding independence in appointing outside directors but selects individuals who can be expected to execute their duties appropriately and from an objective and independent perspective; to support corporate governance based on specialized expertise in such areas as finance, accounting, and internal controls; and who are unlikely to have any conflicts of interest with general shareholders.

The maximum total term of office for outside directors shall be 10 years.

The Company has notified the Tokyo Stock Exchange that Masato Ogawa, Mitsuko Okamoto, Abdullah Aldawood, Naoto Takano, Nobuyuki Iwamoto, Tadao Toyoshima, and Hajime Shinji are designated as independent directors pursuant to the rules established by the stock exchange.

## (12) Mutual cooperation between supervision and audits by outside directors and internal audits, audits by Audit & Supervisory Committee, and audits by the audit firm, and relationship with the internal control unit

The outside directors promote mutual cooperation with the Internal Audit Department, Audit & Supervisory Committee, and the Company's audit firm. The situation of such mutual cooperation is reported to and discussed by the Board of Directors, Audit & Supervisory Committee, Internal Control Committee, and other corporate forums as appropriate.

## (13) 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, 2023 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 (17 meetings were held in the fiscal year ended March 31, 2023), whereupon the Board engages in discussions and makes decisions on matters that require the Board's resolution in a timely manner, while also receiving reports on the Group's businesses and providing supervision over operational execution.
- All directors had high rates of attendance (100% for 11 of the 13, 94.1% for one, and 92.3% for one director), and sufficient time was secured for active discussions at the Board meetings.
- The Board subjects operational execution 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 efforts to improve the effectiveness of the Board meetings by soliciting feedback from Board members in a timely manner.

## 2. Status of Audits

### (1) Status of audits by Audit & Supervisory Committee

Audits by the Audit & Supervisory Committee are carried out by three Audit & Supervisory Committee members, all of whom are outside directors. The Committee also requests regular reports from the Internal Audit Department on operational audits, while instructing the division to assist the Committee's duties, as necessary.

The Audit & Supervisory Committee convened a total of 21 times during the fiscal year ended March 31, 2023, and attendance by the committee members was as follows:

Name (Position)	Status of attendance of Audit & Supervisory Committee meetings for the fiscal year ended March 31, 2023
Nobuyuki Iwamoto (Standing Audit & Supervisory Committee Member)	100.0% (17 out of 17 meetings)
Tadao Toyoshima (Audit & Supervisory Committee Member)	100.0% (21 out of 21 meetings)
Hajime Shinji (Audit & Supervisory Committee Member)	100.0% (21 out of 21 meetings)

\*The total number of meetings held is that of the period during which the relevant Audit & Supervisory Committee Member was serving.

The Audit & Supervisory Committee for the fiscal year ended March 31, 2023 specifically deliberated on the following matters: drafting of audit policies and plans, the status of the execution of directors' duties, the status of the development and operation of internal control systems, the status of audits at subsidiaries, coordination with the Internal Audit Department and the development of the auditing environment, the nomination of directors who are Audit & Supervisory Committee members, and the nomination and remuneration of directors (excluding those who are members of the Audit & Supervisory Committee).

In addition, the Audit & Supervisory Committee confirmed the status of the execution of the duties of the Accounting Auditor and assessed the validity of the audit methods and results of the Accounting Auditor. It also deliberated matters regarding the appointment, dismissal, or non-reappointment of the Accounting Auditor, as well as the remuneration of the Accounting Auditor.

Each member of the Audit & Supervisory Committee, based on his or her wealth of experience and deep insight, offered opinions at the meetings of the Board of Directors from an independent standpoint in order to create sustainable growth for the Group, bolster corporate value in the medium and long term, and further enhance the corporate governance system.

Nobuyuki Iwamoto has supervised and served as a check on directors' execution of their duties as an outside director who is an Audit & Supervisory Committee member based on his abundant experience and broad-ranging insight in such areas as finance and accounting, as a corporate executive. In addition, in his role as a standing member of the Audit & Supervisory Committee, he has shared with other Audit & Supervisory Committee members information he has obtained by attending key meetings other than those of the Board of Directors (e.g., the Remuneration & Nomination Committee and the Internal Control Committee) and by reviewing the minutes of key meetings, contracts, internal decision-making records, and financial data.

Tadao Toyoshima does not have experience in corporate management excluding previous instances of serving as an outside director. However, he holds a qualification as a certified public accountant (CPA) and since assuming the role of outside director who is an Audit & Supervisory Committee member, he has supervised and served as a check on directors' execution of their duties based on his insight into financial and accounting matters.

Hajime Shinji does not have experience in corporate management excluding previous instances of serving as an outside director. However, he is a qualified attorney and since assuming the role of outside director who is an Audit & Supervisory Committee member, he has supervised and served as a check on directors' execution of their duties based on his abundant experience and broad-ranging insight in the field of law.

## **(2) Status of internal audit**

Internal audits are carried out by the Internal Audit Office, which reports directly to the President. The Internal Audit Office performs regular monitoring, reviews and evaluations (internal evaluations) of internal control systems and operational processes, including those of Group companies, taking into account the relative importance of and risk inherent in each part of the organization, and provides reports and recommendations to the President. The Internal Audit Office's functions are carried out while sharing information with the Audit & Supervisory Committee and the Accounting Auditor.

The Audit & Supervisory Committee and the audit firm meet at the timing of quarterly and full-year earnings (i.e., a total of four 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.

Furthermore, the Board of Directors and Internal Control Committee are provided with reports on such audits as appropriate.

## **(3) Status of audits by Accounting Auditor**

(i) Name of the Accounting Auditor

Ernst & Young ShinNihon LLC

(ii) Consecutive duration of audit service

17 years

(iii) Names of responsible certified public accountants

Hirofumi Harashina, Designated Limited Liability Partners, Business Execution Partners

(Consecutive years of audit service: 2)

Taro Kuramochi, Designated Limited Liability Partners, Business Execution Partners

(Consecutive years of audit service: 1)

(iv) Support team for accounting audit duties

12 certified public accountants and 34 others

(v) Policies and reasons for selection of Accounting Auditor

When selecting an audit firm as its Accounting Auditor, the Company comprehensively considers whether it has a system for centralized auditing of the Company's international business activities, in addition to whether it has the expertise, independence, suitability and quality control/screening systems necessary for an Accounting Auditor. Accordingly, Ernst & Young ShinNihon has been determined to be qualified.

Furthermore, in the case of dismissal of the Accounting Auditor by the Audit & Supervisory Committee as provided for under Article 340 of the Companies Act or other cases where it is found to be difficult for an

audit firm to perform its duties as Accounting Auditor appropriately, the Company shall, in principle, submit a proposal to the General Shareholders' Meeting regarding the dismissal or non-reappointment of the Accounting Auditor, after the passage of a resolution by the Audit & Supervisory Committee.

(vi) Evaluation of the Accounting Auditor by the Audit & Supervisory Committee

After having evaluated, in accordance with the Accounting Auditor Selection and Evaluation Standards determined by the Audit & Supervisory Committee, the quality control status of the audit firm, the expertise, independence and system for the execution of duties of the audit team, and the Group audits conducted in cooperation with overseas network firms, the Company has determined that there is no problem in any of the above.

#### (4) Compensation to audit firm

(i) Compensation paid to the audit firm

(Millions of yen)

Category	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023	
	Compensation for statutory audit operations	Compensation for non-audit operations	Compensation for statutory audit operations	Compensation for non-audit operations
The company	56	1	59	1
Consolidated subsidiaries	73	—	75	—
Total	129	1	135	1

The non-audit operations provided by the audit firm for which the Company paid compensation in both the fiscal year ended March 31, 2022 and the fiscal year ended March 31, 2023 were guidance and advice regarding the preparation of English financial statements.

There was no compensation for non-audit operations at consolidated subsidiaries in either the fiscal year ended March 31, 2022 or the fiscal year ended March 31, 2023.

(ii) Compensation paid to organizations belonging to the international auditing network of the Ernst & Young Group, with which the audit firm is affiliated (excluding (i))

(Millions of yen)

Category	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023	
	Compensation for statutory audit operations	Compensation for non-audit operations	Compensation for statutory audit operations	Compensation for non-audit operations
The company	—	—	—	11
Consolidated subsidiaries	127	37	162	53
Total	127	37	162	65

The compensation for non-audit operations at the Company in the fiscal year ended March 31, 2023 consisted of tax advisory services.

The non-audit operations at consolidated subsidiaries were tax advisory services in both the fiscal year ended March 31, 2022 and the fiscal year ended March 31, 2023.

(iii) Compensation for other key audit certification work

(Fiscal year ended March 31, 2022)

None.

(Fiscal year ended March 31, 2023)

None.

(iv) Policy on determining audit compensation

The Company's policy on determining compensation for audits conducted by the audit firm as Accounting Auditor takes into account such factors as the scale of the Company's business operations, number of days required to conduct audits, and the characteristics of the services provided.

(v) Reason for the Audit & Supervisory Committee's consent to Accounting Auditor compensation

The reason why the Company's Audit & Supervisory Committee gave consent provided under Article 399, Paragraph 1 of the Companies Act to compensation paid to the Accounting Auditor is that audit hours and compensation in the fiscal year ended March 31, 2023 were judged to be appropriate as a result of comparisons with audit hours and compensation in the previous fiscal year and comparisons with the audit compensation of companies of the same scale and companies in the same industry.

### 3. Executive Remuneration

#### (1) Matters regarding policies on determination of the amount or calculation method of executive remuneration

The Company's basic policy and determination process regarding the executive remuneration system is as described below.

In order to ensure the objectivity and transparency of the Executive Remuneration System, the Company has at its discretion established a Remuneration & Nomination Committee, of which the majority is formed by independent outside directors and the chairperson is an independent outside director. The Board of Directors establishes the Basic Policy on the Executive Remuneration System based on consultation with this committee, and the committee decides the individual amounts and the nature of remuneration for directors (excluding directors who are Audit & Supervisory Committee members) in accordance with the Basic Policy on the Executive Remuneration System established by the Board of Directors, based on the authority granted to it by the Board of Directors.

#### Basic Policy on the Executive Remuneration System

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

- Remuneration for Executive Directors shall comprise fixed remuneration (monetary), performance-linked remuneration (monetary), and restricted stock remuneration. The ratio for the President and Representative Director shall be approximately 10:9 (base remuneration amount, which varies depending on performance):10. For other Executive Directors, the ratio shall be determined on an individual basis, taking into account earnings performance and other achievements in the director's realm of responsibility. Directors who additionally serve in such roles as directors of subsidiaries may also receive remuneration from the relevant subsidiary.
- Remuneration for Non-Executive Directors and outside directors shall comprise fixed remuneration (monetary) and restricted stock remuneration. The ratio shall be approximately 4:1.
- Fixed remuneration (monetary) shall be determined based upon role, remuneration in past years, the company performance to date, the need to retain talented human resources, research by specialized third-party organizations, remuneration trends at comparable companies, and economic conditions. Fixed remuneration (monetary) shall be paid monthly.
- For the President and Representative Director, the amount of performance-linked remuneration (monetary) is calculated using consolidated net sales and consolidated operating income as metrics, in order to strive for growth that strikes a balance between scale and profitability. Specifically, the amount of performance-linked remuneration is obtained by multiplying the basic remuneration amount

(¥90 million) by a multiple (no greater than 400% and no less than 0%) that is pre-determined according to the degree of deviation from the base amount determined by the Remuneration & Nomination Committee, and then multiplying the result by a pre-determined coefficient (no greater than 1.5 and no less than 0.5) in accordance with the relative growth rate of the Company in the peer group determined by the Remuneration & Nomination Committee.

Performance-linked remuneration (monetary) shall be paid once a year after the business results for each fiscal year are determined.

- The Company offers restricted stock remuneration in order to provide a long-term incentive to directors (excluding directors who are Audit & Supervisory Committee members) to work to achieve sustained growth and to enhance corporate value, as well as to encourage them to have an even greater sense of shared value with shareholders. Such a program is offered because it provides a sustained incentive to bolster the share price when it is down and because it serves as a replacement for the discontinued retirement allowance for directors. The Remuneration & Nomination Committee determines the remuneration value of the restricted stock, taking into account the balance with the monetary remuneration. The restricted stock is granted once annually during the second quarter.

Directors who are Audit & Supervisory Committee Members:

- In consideration of independence from management, only monetary remuneration shall be made.
- Fixed remuneration (monetary) shall be determined based upon role, remuneration in past years, the need to retain talented human resources, research by specialized third-party organizations, remuneration trends at comparable companies, and economic conditions. Fixed remuneration (monetary) shall be paid monthly.

#### Director Remuneration Determination Process

- Individual amounts and the nature of remuneration for directors (excluding directors who are Audit & Supervisory Committee members) shall be determined by the Remuneration & Nomination Committee based on the Basic Policy on the Executive Remuneration System established by the Board of Directors.
- Individual amounts and the nature of remuneration for directors who are Audit & Supervisory Committee members shall be determined via discussions by the directors who are Audit & Supervisory Committee members, with reference made to the basic policy determined by the Board of Directors.
- Individual amounts and the nature of remuneration 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 or her role and contribution to corporate earnings,

remuneration in past years, the need to retain talented human resources, research by specialized third-party organizations, remuneration trends at comparable companies, and economic conditions.

## (2) Total remuneration paid to directors, total remuneration for each category of directors, and the total number of directors

Executive category	Total remuneration (Millions of yen)	Remuneration breakdown (Millions of yen)			Number of individuals
		Fixed remuneration	Performance-linked remuneration	Restricted stock remuneration	
Directors (excluding Audit & Supervisory Committee Members) (Outside Directors)	534 (72)	247 (57)	145 (—)	142 (15)	9 (5)
Directors (Audit & Supervisory Committee Members) (Outside Directors)	48 (48)	48 (48)	— (—)	— (—)	4 (4)
Total (Outside Directors)	582 (120)	295 (105)	145 (—)	142 (15)	13 (9)

Notes: 1. It was resolved at the 42nd Annual Shareholders' Meeting held on June 23, 2022 that the monetary remuneration limit for directors (excluding directors who are Audit & Supervisory Committee members) shall be no more than ¥1,200 million per year (of which ¥96 million is earmarked for outside directors). Additionally, it was resolved at the 42nd Annual Shareholders' Meeting held on June 23, 2022 that the limit for remuneration as restricted stock remuneration for directors (excluding directors who are Audit & Supervisory Committee members) shall be no more than ¥800 million per year (of which ¥64 million is earmarked for outside directors). There were 10 directors (excluding directors who are Audit & Supervisory Committee members) at the conclusion of the 42nd Annual Shareholders' Meeting (of whom six were outside directors).  
2. It was resolved at the 38th Annual Shareholders' Meeting held on June 22, 2018 that the remuneration limit for directors who are Audit & Supervisory Committee members shall be no more than ¥80 million per year. As of the conclusion of the 38th Annual Shareholders' Meeting, the number of directors who are Audit & Supervisory Committee members was three.  
3. The above includes one director (who is an Audit & Supervisory Committee member) who retired as of the conclusion of the 42nd Annual Shareholders' Meeting held on June 23, 2022.

## (3) Total amount, etc., of total consolidated remuneration of executives who received ¥100 million or more

Name	Total consolidated remuneration (Millions of yen)	Executive category	Company category	Consolidated total remuneration breakdown (Millions of yen)		
				Fixed remuneration	Performance-linked remuneration	Restricted stock remuneration
Yosuke Matsuda	308	Director	The Company	100	108	100

Note: The above director retired as of the conclusion of the 43rd Annual Shareholders' Meeting held on June 23, 2023.

## 4. Matters Relating to the Company's Holdings of Shares

### (1) Standards and concepts for categorizing investments in shares

The Group's policy is to categorize shares acquired for the purpose of profiting from value fluctuations or associated dividends as shares held for purely investment purposes and those acquired for the purposes of business alliances or trade relationships as shares held for purposes other than purely investment purposes.

### (2) Status of the Company's shareholdings

- a. Investments in shares for purposes other than purely investment purposes
  - (i) Shareholding policy, method of assessing rationale of shareholdings, and nature of Board of Directors' assessment of appropriateness of holding individual issues

The Company's basic policy is to hold publicly traded shares for the purpose of strengthening business alliances or trade relationships in

instances where doing so will contribute to the enhancement of its corporate value over the medium or long term. Each year the Board of Directors and other bodies validate the rationale for holding listed shares by reviewing the status of achievement of the intended objective of the holdings and determining whether to continue holding the shares. The approach to assessing the appropriateness of holding individual issues is holistic, involving the performance of quantitative reviews of current and future earnings conditions and qualitative reviews on the status of achieving the intended purpose.

## (ii) Number of issues and balance sheet value

Category	Companies in which shares are held	Total amount presented on balance sheets (Millions of yen)
Unlisted shares	5	387
Shares other than those above	1	896

## (Issues for which the number of shares held increased in the fiscal year ended March 31, 2023)

Category	Companies in which shares are held	Total acquisition cost related to increase in shareholdings (Millions of yen)	Reason for increase in shareholdings
Unlisted shares	4	416	Acquire and utilize knowledge in the blockchain entertainment domain
Shares other than those above	1	835	(1) Alliance for the development and distribution of mobile online games and blockchain games (2) Alliance to study the establishment of a dedicated platform for blockchain games (3) Alliance through mutual utilization of networks in the Web 3.0 domain

## (Issues for which the number of shares held declined in the fiscal year ended March 31, 2023)

None.

## (iii) Number of shares, balance sheet value, and other information on “specified investment equity securities held” or “deemed holdings of equity securities” by issue

## “Specified investment equity securities held”

Companies in which shares are held	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Purpose of holdings, outline of business alliance, quantitative benefits of holdings, and reason for increase in shareholdings	Square Enix Holdings shareholders
	Number of shares	Number of shares		
	Amount presented on balance sheets (Millions of yen)	Amount presented on balance sheets (Millions of yen)		
	1,180,000	—	(1) Alliance for the development and distribution of mobile online games and blockchain games (2) Alliance to study the establishment of a dedicated platform for blockchain games (3) Alliance through mutual utilization of networks in the Web 3.0 domain	
gumi Inc.	896	—		None

Note: Describing the benefits of shareholdings in quantitative terms is difficult. The Board of Directors validates the rationale for the holdings annually by reviewing the status of achieving the intended purpose and determining whether to maintain the holdings.

## “Deemed holdings of equity securities”

None.

b. Investments in shares for purely investment purposes

Category	Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2022	
	Companies in which shares are held	Total amount presented on balance sheets (Millions of yen)	Companies in which shares are held	Total amount presented on balance sheets (Millions of yen)
Unlisted shares	4	0	4	0
Shares other than those above	2	68	2	54

Category	Fiscal year ended March 31, 2023		
	Total dividends received	Total gain on sale of shares	Total gain on revaluation of shares
Unlisted shares	—	—	Note 1
Shares other than those above	0	—	55 (—)

Notes: 1. No total valuation gain/loss figure is provided for non-listed shares as they have no market prices.

2. Figures denoted with parentheses under "Total gain on revaluation of shares" indicate impairment losses for the fiscal year in question.

## 5. IR Activities

The Company's basic policy is to disclose information in a timely and appropriate manner in order to deliver useful information to its investors. In particular, 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 to promoting understanding of the Company. The Company's general principles of IR activities are as follows.

Briefing sessions are held quarterly for institutional investors and

analysts, with the President and Representative Director mainly providing the briefings. The Company conducts overseas roadshows for foreign investors annually, as appropriate, where the President and Representative Director mainly provide briefings. Moreover, the Company strives to engage in constructive dialogues with capital markets via individual meetings and small group meetings.

The Company posts earnings summaries, financial results briefing materials (including the briefing by the President and Representative Director), securities filings, annual reports, Annual Shareholders' Meeting convocation notices, and other items on its website.