

Corporate Governance Report

Last Update: April 12, 2021

SQUARE ENIX HOLDINGS CO., LTD.

President and Representative Director: Yosuke Matsuda

Contact: Satoshi Shinohara, General Manager, Legal & Intellectual Property Division

+81-3-5292-8000

Securities Code: 9684

<https://www.hd.square-enix.com/>

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 Corporate Governance Code.

Disclosure Based on the Principles of the Corporate Governance Code

[Principle 1.4: Cross -Shareholdings]

The Group holds publicly traded shares for purposes other than pure investment in some cases where it has determined that so doing will contribute to the enhancement of its corporate value over the medium or long term, through prospective business tie-ups or relationships with the target company. Each year the Board of Directors reviews the status of achievement of the intended objective of the shareholding and determines whether or not to continue holding shares. In addition, the Group exercises the voting rights associated with the shares from the perspective of achieving the objective of the shareholding.

[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.

<https://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*), financial 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 I (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, as regards directors (excluding Directors who are Audit & Supervisory Committee Members), no fewer than 2 independent outside directors shall be appointed. Furthermore, all Directors who are Audit & Supervisory Committee Members, shall be independent outside directors, and at least 1 nominee shall have appropriate knowledge pertaining to finance and accounting. However, this shall not apply in the case of substitute Directors who are Audit & Supervisor Committee Members filling vacancies.

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, as regards directors (excluding Directors who are Audit & Supervisory Committee Members), at least 2 independent outside directors shall be appointed, and all Directors who are Audit & Supervisory Committee Members shall be independent outside directors.

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]

Meetings of the Board of Directors were held in the fiscal year ended March 31, 2020 as described below. In addition, the Company conducted a survey on the effectiveness of board meetings and received positive feedback from the Board members. Based on the above, the Company confirms that the Board is functioning in an effective manner.

- In principle, Board meetings are held once a month (15 meetings were held in the fiscal year ended March 31, 2020), 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 were present at every Board meeting, and sufficient time was secured for active discussions.
- 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 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 Strategy 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 strives to engage in constructive dialogues with capital markets via financial results briefing sessions held immediately after quarterly earnings announcements, individual meetings with institutional investors and analysts, and small group meetings.
- For overseas institutional investors, the Company offers individual and small group IR meetings, and also usually conducts overseas road shows three times annually.
- The Company actively discloses information to shareholders and investors in Annual Reports and on the Company's website.
- The Company strives to provide the President and the Board with feedback based upon views and requests that have arisen from dialogues with shareholders so that they may serve as a reference for management decision-making and be reflected in future dialogues.
- The Company strictly controls insider information by establishing the Most Sensitive Trade Secret Committee and appointing an Insider Information Management Manager.

2. Capital Structure

Percentage of Foreign Shareholders	30% or more
------------------------------------	-------------

Status of Major Shareholders

Name / Company Name	Number of Shares Owned	Percentage (%)
Yasuhiro Fukushima	23,626,020	19.79
The Master Trust Bank of Japan, Ltd. (Trust Account)	9,366,300	7.84
Custody Bank of Japan, Ltd. (Trust Account)	6,847,200	5.73
Fukushima Planning Co., Ltd.	6,763,695	5.66
JP MORGAN CHASE BANK 380752	6,448,300	5.40
JP MORGAN CHASE BANK 385632	4,752,562	3.98
Custody Bank of Japan, Ltd. (Trust Account 9)	2,436,500	2.04
SSBTC CLIENT OMNIBUS ACCOUNT	1,969,965	1.65
THE BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED 131800	1,938,300	1.62
Custody Bank of Japan, Ltd. (Trust Account 5)	1,746,500	1.46

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

Supplementary Explanation

On December 28, 2020, Ayar First Investment Company submitted a report on its large shareholdings (change report) to the Director-General of the Kanto Finance Bureau.

On December 18, 2020, JPMorgan Asset Management (Japan) Limited submitted a report on its large shareholdings (change report) to the Director-General of the Kanto Finance Bureau.

On December 7, 2020, Capital Research and Management Company submitted a report on its large shareholdings to the Director-General of the Kanto Finance Bureau.

On October 21, 2020, 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.
---------------------------	---

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	9
Election of Outside Directors	Elected
Number of Outside Directors	7
Number of Independent Directors	7

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											
Mitsuko Okamoto	Academic											
Ryoichi Kobayashi	From Other Company											
Tadao Toyoshima	CPA											
Hajime Shinji	Attorney											

* 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

- a. Executive of the Company or its subsidiaries
- b. Non-executive director or executive of a parent company of the Company
- c. Executive of a fellow subsidiary company of the Company
- d. A party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the Company or an executive thereof
- f. 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
- g. Major shareholder of the Company (or an executive of said major shareholder if the shareholder is a legal entity)
- h. 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)
- i. Executive of a company with which the Company engages in mutual appointment of outside directors/auditors (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. 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 in the execution of their duties 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 in the execution of their duties 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 track record of supervising and serving as a check on directors in the execution of their duties 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.
Mitsuko Okamoto		○	_____	Appointed an outside director in recognition of her wealth of practical experience and her breadth of learning and insight in animation and other content domains and with the expectation that she will advise regarding our Group businesses broadly and supervise and serve as a check on our directors in the execution of their duties; designated an independent director since she has no risk of developing a conflict of interest with general shareholders.
Ryoichi Kobayashi	○	○	_____	Appointed an outside director who is an Audit & Supervisory Committee Member in recognition of his track record of monitoring and auditing directors in the execution of their duties based on his wealth of experience and breadth of insight in corporate management broadly; designated an independent director since he has no risk of developing a conflict of interest with general shareholders.
Tadao Toyoshima	○	○	_____	Appointed an outside director who is an Audit & Supervisory Committee in recognition of his track record of monitoring and auditing directors in the execution of their duties based on his insight into financial and accounting matters as a CPA; designated an independent director since he has no risk of developing a conflict of interest with general shareholders.
Hajime Shinji	○	○	_____	Appointed an outside director who is an Audit & Supervisory Committee in recognition of his wealth of practical experience and broad insight as a barred attorney and holder of numerous public offices in the field of law and with the expectation that he will monitor and audit directors in the execution of their duties; designated an independent director since he has no risk of developing a conflict of interest with general shareholders.

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
--	----------

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, Accounting Auditors, and Internal Audit Department
While sharing information with the Audit & Supervisory Committee and Accounting Auditors, the Internal Audit Department takes significance and risk into consideration as it regularly checks and studies/evaluates (i.e., performs internal evaluations on) the internal management structure and operational processes, including at Group companies.

In addition, 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
---	-------------

Committee Name, Composition, and Attributes of Chairperson

Committee Name	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
	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 the Representative Director and outside directors. This committee decides 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 established by the Board of Directors, and also decides the Guidelines on the Nomination Criteria for Directors.

The members of the Remuneration and Nomination Committee are appointed by the Board of Directors as follows, and the committee is convened as needed.

- Chairperson: Yosuke Matsuda (President and Representative Director)
- Member: Yukihiro Yamamura (Outside Director)
- Member: Yuji Nishiura (Outside Director)
- Member: Masato Ogawa (Outside Director)
- Member: Ryoichi Kobayashi (Outside Director, Standing Audit & Supervisory Committee Member)

Independent Directors

Number of Independent Directors	7
---------------------------------	---

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
----------------------------------	--

Supplementary Explanation

-To Executive Directors (only President and Representative Director Yosuke Matsuda as of the submission date of this report), the Company pays performance-linked remuneration (monetary).

-To Directors (excluding Directors who are Audit & Supervisory Committee Members), the Company grants compensation-type stock options (stock acquisition rights) 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
-----------------------------	--

Supplementary Explanation

The number of persons granted stock acquisition rights and the number of shares granted as of September 30, 2020 are as follows.

-Compensation-type stock options (stock acquisition rights): the Company had granted 1,562 stock options (156,200 shares) to 6 directors (excluding Directors who are Audit & Supervisory Committee Members).

-Stock options (stock acquisition rights): the Company had granted 5,391 stock options (539,100 shares) to 23 persons.

Remuneration for Directors

Disclosure of Individual Directors' Remuneration	Partial Disclosure
--	--------------------

Supplementary Explanation

Director remuneration was as follows in the fiscal year ended March 31, 2020.

	Total	Fixed	Performance-linked	Stock Options
-5 Directors (excl. Audit & Supervisory Committee)	¥291mn	¥128mn	¥106mn	¥57mn
(of which, 3 Outside Directors)	(¥46mn)	(¥36mn)	(N/A)	(¥10mn)
-3 Audit & Supervisory Committee Members	¥44mn	¥44mn	N/A	N/A
(of which, 3 Outside Directors)	(¥44mn)	(¥44mn)	(N/A)	(N/A)

President and Representative Director Yosuke Matsuda was the only executive who received total consolidated remuneration of ¥100 million or more. His total remuneration was ¥229 million (fixed remuneration of ¥80 million, performance-linked remuneration of ¥106 million, and ¥43 million in compensation-type stock options).

Policy on Determining Remuneration Amounts and Calculation Methods

Established

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.

In order to ensure the objectivity and transparency of the Executive Remuneration System, the Company has at its discretion established a Remuneration and Nomination Committee comprising the Representative Director and outside directors. This Board of Directors establishes the Basic Policy on the Executive Remuneration System is 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

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

-Remuneration for Executive Directors shall comprise fixed remuneration (monetary), performance-linked remuneration (monetary), and compensation-type stock options (stock acquisition rights). The ratio shall be approximately 10:9 (base remuneration amount, which varies depending on performance):10.

-Remuneration for Non-Executive Directors shall comprise fixed remuneration (monetary) and compensation-type stock options (stock acquisition rights). The ratio should 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.

-In order to strive for growth that strikes a balance between scale and profitability, the amount of performance-linked remuneration (monetary) is calculated using consolidated net sales and consolidated operating income as metrics. 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 consolidated net sales figure of ¥256,824 million and the consolidated operating income figure of ¥31,295 million posted in the fiscal year ended in March 2017. Performance-linked remuneration (monetary) shall be paid once a year after the business results for each fiscal year are determined.

- The Company offers compensation-type stock options (stock acquisition rights) in order to provide a long-term incentive for directors (excluding directors who are Audit & Supervisory Committee members) to work to achieve sustained growth and to enhance corporate value. 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 compensation-type stock options (stock acquisition rights), taking into account the balance with the monetary remuneration. The compensation-type stock options (stock acquisition rights) are granted once annually during the second quarter.

2. 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

1. Individual amounts and the nature of remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members) shall be determined by the Remuneration and Nomination Committee based on the Basic Policy on the Executive Remuneration System established by the Board of Directors.
2. 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.
3. 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/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.

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 passed 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 6 directors (excluding those who are members of the Audit & Supervisory Committee), 4 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.

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.

Meetings of the Board of Directors were held 15 times in the fiscal year ended in March 2020, and attendance by the individual directors was as follows:

-Yosuke Matsuda (President and Representative Director):	100.0% (15/15)
-Yukinobu Chida (Director):	100.0% (15/15)
-Yukihiko Yamamura (Outside Director) :	100.0% (15/15)
-Yuji Nishiura (Outside Director) :	100.0% (15/15)
-Masato Ogawa (Outside Director) :	100.0% (15/15)

-Ryoichi Kobayashi (Outside Director, full-time Audit & Supervisory Committee Member) :	100.0% (15/15)
-Ryuji Matsuda (Outside Director, Audit & Supervisory Committee Member) :	100.0% (15/15)
-Tadao Toyoshima (Outside Director, Audit & Supervisory Committee Member) :	100.0% (15/15)

(2) As a general rule, 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 control functions. Some Audit & Supervisory Committee Members have considerable knowledge of finance and accounting. In addition, full-time Audit & Supervisory Committee Members attend important meetings other than those of the Board of Directors, such as those of the Remuneration and Nomination Committee, the Internal Control Committee and the Information Systems Operations Committee, and they share information that they have obtained by reviewing minutes of key meetings, contracts, approval requests, and accounting data with other Audit & Supervisory Committee Members.

Meetings of the Audit & Supervisory Committee were held 20 times in the fiscal year ended in March 2020, and attendance by the individual the Audit & Supervisory Committee Members was as follows:

-Ryoichi Kobayashi (full-time Audit & Supervisory Committee Member) :	100.0% (20/20)
-Ryuji Matsuda (Audit & Supervisory Committee Member) :	100.0% (20/20)
-Tadao Toyoshima (Audit & Supervisory Committee Member) :	100.0% (20/20)

The Company has employed Ernst & Young ShinNihon LLC as its accounting auditor for 14 consecutive years. 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 (6 consecutive years), Miyuki Nakamura (1 year).

- Support team for accounting audit duties

14 certified public accountants; 27 others

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 and Internal Control Committee are provided with reports on such audits as appropriate.

The Company has 7 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 the Representative Director and outside directors. This committee decides the individual amounts and the nature of remuneration for directors (excluding Directors who are Audit & Supervisory Committee Members) based on Basic Policy on the Executive Officer Remuneration System, and also decides 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 passed 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 Fiscal year 2020).
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 usually 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 Directors.
Regular Investor Briefings for Analysts and Institutional Investors	Briefing sessions are held immediately after the announcement of quarterly earnings results, with the President and Representative Director and Chief Strategy Officer or Chief Accounting Officer providing the briefing.
Regular Investor Briefings for Overseas Investors	The Company usually conducts overseas road shows three times per annum where the President and Representative Director and Chief Strategy Officer provide briefings.
Posting of IR Materials on Website	The Company posts earnings summaries, financial results briefing materials (including the briefing by the President and Representative Director), securities filings, annual reports, General Shareholders' Meeting convocation notices, General Shareholders' Meeting overviews (business reports, Q&A content), voting results, etc. on its website.
Establishment of Department and/or Manager in Charge of IR	The corporate Strategy 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.

<p>Promotion of environmental protection activities and CSR activities</p>	<p>As part of its efforts to protect our environment, the Company promotes the sale of video games via digital downloads rather than in packages, thus reducing the gas emissions that result from transporting packaged products and the consumption of secondary materials such as recording media, manuals, and packaging. Even when selling packaged products, the Company works to minimize the environmental impact of its business activities by using recyclable materials, for example.</p> <p>As part of its social responsibility initiatives, the Company complies with the rating systems of the relevant country or region when selling its console game software in Japan or abroad so that customers can play its games with a sense of security. 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>
<p>Formulation of policies and others concerning information provision to stakeholders</p>	<p>The Company establishes an IR Policy and Information Disclosure Policy and posts them on its website.</p>

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 (hereinafter "Subsidiaries;" the Company and Subsidiaries 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 Subsidiaries establish an Internal Control Committee to provide oversight of legal and regulatory compliance as well as risk management. The Company's Internal Control Committee provides cross-cut oversight of initiatives within the Group aimed at legal and regulatory compliance as well as risk management.

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

(4) The Company and the primary Subsidiaries 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 Subsidiaries

(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 the Company and primary Subsidiaries and reports the results to the Company's Internal Control Committee.

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

(1) In order to establish a clear division between management and execution, the Company concentrates operational execution authority in the Representative Director based on the criteria defined in the Delegation of Authority Rules. By so doing, the Company enables both appropriate management decision-making and efficient operational execution.

(2) The Company's Board of Directors are to focus on managing the Company and on its functions of managing and supervising Subsidiaries. From the perspective of enabling the more efficient and timely management of Subsidiaries, the Company's Board of Directors delegates to the Boards of Directors of Subsidiaries a certain amount of authority regarding decision-making concerning operational execution. The decision-making authority to be delegated is clearly defined in the Delegation of Authority Rules.

(3) 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 Subsidiaries in a manner befitting the scale of said companies and their importance to the Group.

(2) 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.

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 of the Company and primary Subsidiaries.

(3) The Company establishes a whistle-blowing system for which the point of contact is either the Standing Audit & Supervisory Committee Member, the Internal Audit Department or an external law office in order to

ensure that the executive officers and employees of the Group have the opportunity to report directly to the Standing Audit & Supervisory Committee Member. Whistle-blowing information will be conveyed in a timely manner to the Audit & Supervisory Committee.

(4) The Company will not unfairly treat Group executive officers or employees that have engaged in such whistle-blowing 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 Standing 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

The status of the Company's current internal system concerning timely disclosures is described below.

- 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 the financial results briefing sessions held immediately after quarterly earnings announcements, 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 control, capital management, etc., the Legal Division, which engages in duties associated with organizing key meetings, managing rules, and equity procedures; and the Corporate Strategy Division, which engages in duties associated with drafting corporate plans, budgeting, organizing key meetings, managing affiliate companies, IR, etc. The generation and publication of disclosure documentation is subject to 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 Strategy Division is responsible for generating and submitting disclosure documentation to the Tokyo Stock Exchange. 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 head of the Accounting and Finance Division, who is responsible for the handling of information.
- The Corporate Strategy Division conducts the timely disclosure of decisions and incidents in cooperation with the accounting and financial department. 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. The head of the Corporate Strategy Division engages in discussions with the head of the Accounting and Finance Division, 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. If the decisions require timely disclosure, the head of the Corporate Strategy Division will order the relevant teams to generate disclosure documentation. The disclosure documentation generated will be finalized after having been subject to multiple reviews, and only then be subject to timely disclosure on the order of the head of the Corporate Strategy Division. 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 Strategy Division. The head of the Corporate Strategy Division shall, after engaging in discussion with the President and the head of the Accounting and Finance Division, 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. 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.

