

# Environment, Social and Governance

## Environmental and Social Initiatives

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

### 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.

### Training and educational support fostering sustainable growth

In the fiscal year ended March 2018, 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 Graduate School of Film and New Media, which is the university’s Center of Innovation (COI). In the fiscal year ended March 2019, we held an exhibition called “Tokyo University of the Arts, Department of Games - Vertical Slice” that showcased works produced by the A to G Project, an endeavor aided by creators from our Group company Luminous Productions Co., Ltd. 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. The course enables us to continue to collaborate with the university in its efforts to expand both the potential of games, which it views as a form of art, and the field of filmmaking expression. Square Enix will remain actively engaged by providing instructors for the course and having creators from Luminous Productions serve as game production mentors on the A to G Project.

In addition, Square Enix signed a collaborative agreement with Chuo University in December 2018. The agreement is designed to exchange and leverage human and intellectual resources in order to produce well-educated talent with an international perspective. Under the agreement, Square Enix is to fund the creation of a course in Chuo University’s Faculty

of Global Informatics (iTL). Preparations are underway to launch the course in the fiscal year ending March 2022.

Our Group will continue to undertake such initiatives in cooperation with academia in order not only to explore new forms of expression but also to contribute to the development of Japan’s content industry and raise its profile in the world.

### Join forces with the IP Open Access Declaration Against COVID-19

COVID-19 has produced a global pandemic. In order to prevent its further spread, industry-government-academia cooperation is required so they can accelerate development and manufacturing of therapeutic drugs, vaccines, medical devices and infection control products in an unconventional way.

Our Group is a signatory to the IP Open Access Declaration Against COVID-19, which Japan’s top companies and professional organizations are promoting with the goal of preventing the spread of the virus.

Based on this declaration, Square Enix Holdings and SQUARE ENIX CO., LTD. will neither seek compensation nor assert any patent rights against any activities for the sole purpose of stopping the epidemic, until the World Health Organization (WHO) declares the end of the COVID-19 outbreak.

Our Group will continue to work with the relevant organizations in order to help prevent the spread of COVID-19.

### Supporting charities fighting COVID-19

As part of our Group’s efforts in support of the fight against COVID-19, we ran a campaign of our own in North America and Europe called “Stay Home & Play.” As part of the campaign, we raised money for charities engaged in social issues ranging from food insecurity to homelessness. To date, we have raised a total of \$2.4 million for such organizations. We have done this in part through the “Stay Home & Play Initiative,” whereby we donate 100% of our earnings on PC downloads of our games to charities. In addition, we have offered select popular catalog titles free of charge, leading to more than 16 million downloads. These efforts have met with great support from game aficionados the world over.

## 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

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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: “GAMEDEV BOOTCAMP”

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

In order to heighten the technological literacy of Square Enix’s employees regarding such cutting-edge technologies 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 online resources.

### Working Style Diversification

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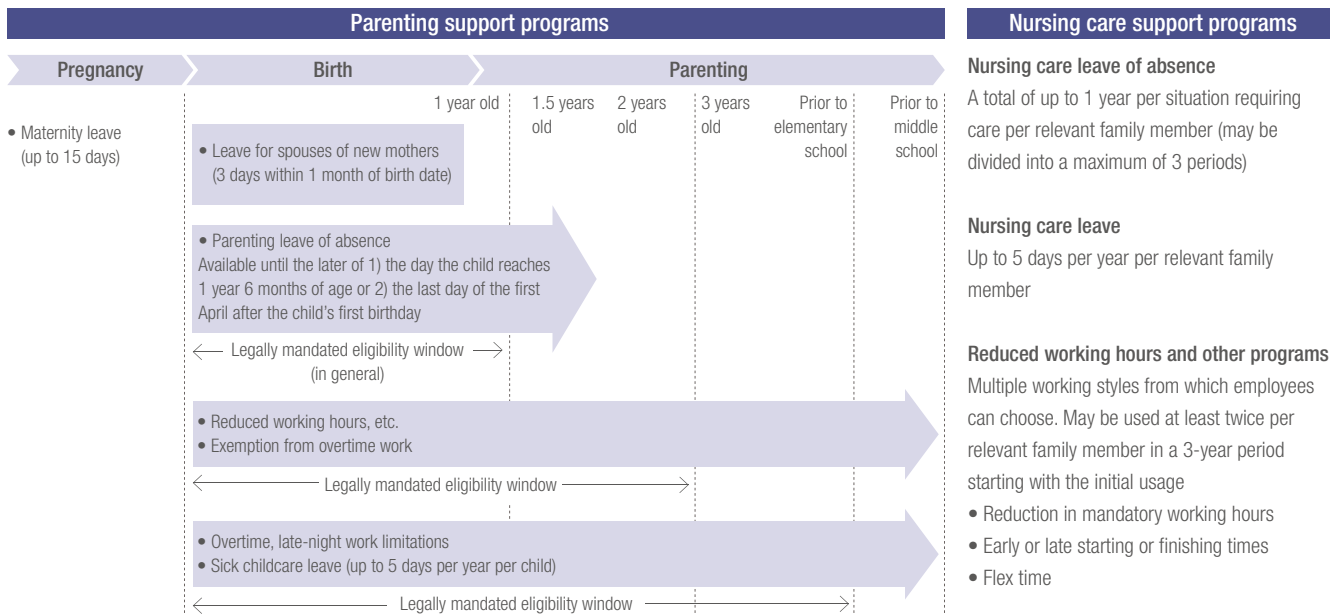
Employees view their work through the lens of an increasingly diverse range of values, and their needs change as they progress through different stages of life. In order to accommodate such diversity and change, Square Enix has introduced working options and unique benefit programs that go above and 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.

#### Telecommuting

By making work-from-home the default option in a flexible and diverse portfolio of working styles and reforming our operational processes, we will not only bolster our efficiency and productivity, but also provide the optimal working environment for meeting our employees’ diversifying professional needs and help them achieve work-life balance.



**EC Business Unit, EC Business Unit Online Business Development Division**



**SQUARE ENIX Members Group**

**Hitomi Matsuki**

As a parent of two children, I take advantage of the reduced-hour/flex system for employees who are parents or caregivers.

This system differs from ordinary flex time in that there is no core-time requirement. That means that on days when I need to come in late because of a child's doctor's appointment or leave early for a parent-teacher conference at their elementary school, I can adjust my starting and finishing times accordingly.

You never know what might come up when you are raising children, but this system has made it easier to plan my working days and worry less about what time I start and finish.

**Legal & Intellectual Property Division**



**Ken Kusakari**

I took about a year of paternity leave when my first child was born.

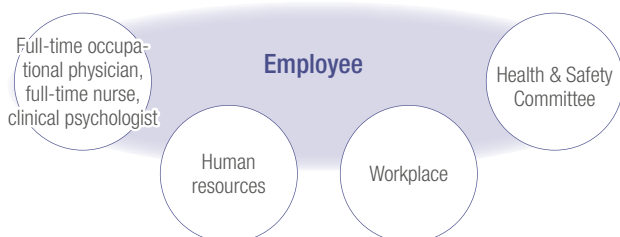
Firstly, I want to say that I am very grateful to be working somewhere so understanding. I had had some concerns since I had never taken off so much time, but thanks to the support of my teammates, I was able to make a smooth transition back to work.

My leave enabled me to spend great quality time at home, sharing chores with my wife and experiencing parenting for the first time.

**Health and Productivity Management**

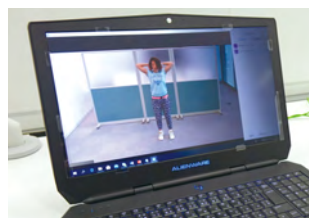
In order to provide its customers with the best products and services, employees have to be healthy. Having employees that are mentally and physically healthy and helping them improve upon that health is therefore a key priority for Square Enix. As such, it undertakes a variety of initiatives to communicate 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.

**Enhancing occupational health and safety**



**Visits by stretching instructor, yoga classes**

Traditionally, professional instructors have regularly visited each of our workplaces to demonstrate largely desk-bound employees simple stretches that they can do at their desks to prevent shoulder stiffness and lower-back pain. We have also regularly hosted yoga classes led by yoga instructors. Since work-from-home is becoming our default working option, we have started new online health initiatives that employees can participate in from home. We will continue to proactively adopt a variety of initiatives of this nature to promote the health of our employees.



Live online stretching class



Pre-recorded online yoga class

# Corporate Governance

## 1. Overview of Corporate Governance

### (1) Basic views on corporate governance

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 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 the Audit & Supervisory Committee following a resolution passed at its 38th Annual Shareholders' Meeting held on 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 while concentrating operational execution authority in the position of Representative Director.

The Company has six 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 officers 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. Furthermore, 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

comprising outside directors and the President and Representative Director. This committee makes decisions regarding the basic policy on the executive remuneration system, individual remuneration amounts for directors (excluding directors who are Audit & Supervisory Committee members), and the guidelines on the nomination criteria for 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 control functions. A member of the Audit & Supervisory Committee possesses extensive expertise in finance and accounting matters.

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 internal 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 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. 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	Yosuke Matsuda	◎		◎	◎
Director	Yukinobu Chida	○			○
Outside Director	Yukihiro Yamamura	○		○	
Outside Director	Yuji Nishiura	○		○	
Outside Director	Masato Ogawa	○		○	
Outside Director	Mitsuko Okamoto	○			
Outside Director (Standing Audit & Supervisory Committee Member)	Ryoichi Kobayashi	○	◎	○	○
Outside Director (Audit & Supervisory Committee Member)	Tadao Toyoshima	○	○		
Outside Director (Audit & Supervisory Committee Member)	Hajime Shinji	○	○		
General Manager of Finance and Accounting Division	Atsushi Matsuda				○

### (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) 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 4.

### (5) 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.

### (6) 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.

### (7) 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.

### (8) 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.

### (9) 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, 2020
Yosuke Matsuda (President and Representative Director)	100% (15 out of 15 meetings)
Yukinobu Chida (Director)	100% (15 out of 15 meetings)
Yukihiro Yamamura (Outside Director)	100% (15 out of 15 meetings)
Yuji Nishiura (Outside Director)	100% (15 out of 15 meetings)
Masato Ogawa (Outside Director)	100% (15 out of 15 meetings)
Ryoichi Kobayashi (Outside Director (Standing Audit & Supervisory Committee Member))	100% (15 out of 15 meetings)
Ryuji Matsuda (Outside Director (Audit & Supervisory Committee Member))	100% (15 out of 15 meetings)
Tadao Toyoshima (Outside Director (Audit & Supervisory Committee Member))	100% (15 out of 15 meetings)

## (10) 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
- Since their appointments as outside directors of the Company, Yukihiro Yamamura, Yuji Nishiura, and Masato Ogawa have been fulfilling their supervisory and oversight functions over the execution of duties by the directors based on their abundant experience and broad insight as senior corporate executives. Messrs. Yamamura, Nishiura, and Ogawa offer their opinions at 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.

Mitsuko Okamoto has not previously been involved in corporate management, but she possesses abundant practical experience and broad scholarly attainment and insight in the field of content, including animation. She has been appointed an outside director based on the Company's expectation that she will fulfill her supervisory and oversight function over the execution of duties by the directors while also providing advice on the Group businesses overall.

The functions and roles of Ryoichi Kobayashi, 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 Company has notified the Tokyo Stock Exchange that Yukihiro Yamamura, Yuji Nishiura, Masato Ogawa, Mitsuko Okamoto, Ryoichi Kobayashi, Tadao Toyoshima, and Hajime Shinji are designated as independent officers pursuant to the rules established by the stock exchange.

## (11) 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 Auditing

Division, 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.

## (12) 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, 2020 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 (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 attended every meeting, 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 Auditing Division on operational audits, while instructing the division to assist the Committee's duties, as necessary.

The Audit & Supervisory Committee convened a total of 20 times during the fiscal year ended March 31, 2020, and all committee members attended on every occasion.

Key matters deliberated upon by the Audit & Supervisory Committee include the 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 Auditing Division and the development of an 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.

Since assuming the role of an outside director who is an Audit & Supervisory Committee member, Ryoichi Kobayashi has supervised and served as a check on directors' execution of their duties based on his wealth of experience and breadth of insight in corporate management on the whole. 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, the Internal Control Committee, the Information System Management Committee, etc.) 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 officer. 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's only involvement in corporate management to date has been in previous instances where he has served as an outside officer. However, he is a qualified attorney in Japan and possesses a wealth of practical experience and broad insight acquired through serving in numerous public offices in the field of law. As such, he has been selected as an outside director who is an Audit & Supervisory Committee member with the expectation that he will supervise and serve as a check on directors' execution of their duties.

## (2) Status of internal audit

Internal audits are carried out by the Auditing Division, which reports directly to the President. The Auditing Division 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 Auditing Division'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  
14 years
- (iii) Names of responsible certified public accountants  
Kenichi Shibata, Designated Limited Liability Partners, Business Execution Partners  
(Consecutive years of audit service: 6)  
Miyuki Nakamura, Designated Limited Liability Partners, Business Execution Partners  
(Consecutive years of audit service: 1)
- (iv) Support team for accounting audit duties  
14 certified public accountants and 27 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, 2019		Fiscal year ended March 31, 2020	
	Compensation for statutory audit operations	Compensation for non-audit operations	Compensation for statutory audit operations	Compensation for non-audit operations
The company	48	1	74	1
Consolidated subsidiaries	70	—	40	—
Total	119	1	114	1

The non-audit operations provided by the audit firm for which the Company paid compensation in both the fiscal year ended March 31, 2019 and the fiscal year ended March 31, 2020 were guidance and advice regarding the preparation of English financial statements.

There was no compensation for non-audit operations at consolidated subsidiaries in both the fiscal year ended March 31, 2019 and the fiscal year ended March 31, 2020.

##### (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, 2019		Fiscal year ended March 31, 2020	
	Compensation for statutory audit operations	Compensation for non-audit operations	Compensation for statutory audit operations	Compensation for non-audit operations
The company	—	—	—	3
Consolidated subsidiaries	124	17	110	18
Total	124	17	110	21

There was no compensation for non-audit operations at the Company in the fiscal year ended March 31, 2019. Advisory services on internal controls were provided in the fiscal year ended March 31, 2020.

The non-audit operations at consolidated subsidiaries were tax advisory services in both the fiscal year ended March 31, 2019 and the fiscal year ended March 31, 2020.

##### (iii) Compensation for other key audit certification work (Fiscal year ended March 31, 2019)

None.

(Fiscal year ended March 31, 2020)

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, 2020 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. Moreover, in order to ensure the objectivity and transparency of decisions made regarding executive remuneration, the Company has at its discretion established a Remuneration & Nomination Committee comprising four outside directors and the Representative Director. This committee makes decisions regarding the guidelines on the executive remuneration system and individual remuneration amounts for directors (excluding directors who are Audit & Supervisory Committee members) based on the authority granted to it by the Board of Directors.

#### Basic Policy on the executive remuneration system

##### (i) 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).
- Remuneration for nonexecutive directors and outside directors shall comprise fixed remuneration (monetary) and compensation-type stock options (stock acquisition rights).
- 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 increase-decrease 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 March 31, 2017.
- 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, as well as to serve 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) in each instance.

- (ii) Directors who are Audit & Supervisory Committee members: In consideration of independence of directors who are Audit & Supervisory Committee members from management, only fixed remuneration (monetary) shall be made.

#### Director remuneration determination process

- (i) Individual remuneration amounts for directors (excluding directors who are Audit & Supervisory Committee members) shall be

determined by the Remuneration & Nomination Committee.

- (ii) Individual remuneration amounts 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 Remuneration & Nomination Committee.
- (iii) Individual remuneration amounts shall be set within the confines of the remuneration allocation approved at the General Shareholders' Meeting and shall be determined based upon a comprehensive consideration of annual earnings and each director's performance in his/her role and contribution to corporate earnings, remuneration in past years, the need to retain talented executives, remuneration trends at other 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	Compensation-type stock options	
Directors (excluding Audit & Supervisory Committee Members) (Outside Directors)	291 (46)	128 (36)	106 (—)	57 (10)	5 (3)
Directors (Audit & Supervisory Committee Members) (Outside Directors)	44 (44)	44 (44)	— (—)	— (—)	3 (3)
Total (Outside Directors)	335 (90)	172 (80)	106 (—)	57 (10)	8 (6)

Notes: 1. It was approved at the 38th Annual Shareholders' Meeting held on June 22, 2018 that the monetary remuneration limit for directors (excluding directors who are Audit & Supervisory Committee members) shall be no more than ¥600 million per year (of which ¥48 million is earmarked for outside directors) and the limit for remuneration as stock options shall be no more than ¥400 million per year (of which ¥32 million is earmarked for outside directors). There were five directors (excluding directors who are Audit & Supervisory Committee members) at the conclusion of the 38th Annual Shareholders' Meeting (of whom three were outside directors).

2. It was approved 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 Company has discontinued the retirement allowance plan for executives.

#### (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	Compensation-type stock options
Yosuke Matsuda	229	Director	The Company	80	106	43

## 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

As of March 31, 2020, the status of shareholdings by SQUARE ENIX CO.,

LTD., which has the largest amount of investment securities on its balance sheet within the Group, is as follows:

- 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 Group'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 validates the rationale for holding such shares by reviewing the status of achievement of the intended objective of the holdings and determining whether or not to continue holding the shares. The board takes a wholistic approach to assessing the appropriateness of holding individual issues by performing quantitative reviews of current and future earnings conditions and qualitative reviews on the status of achieving the intended purpose.

(ii) Number of issues & balance sheet value

Category	Companies in which shares are held	Total amount presented on balance sheets (Millions of yen)
Listed shares	1	419

(Issues for which the number of shares held increased in the fiscal year ended March 31, 2020)

Category	Companies in which shares are held	Total acquisition cost related to increase in shareholdings (Millions of yen)	Reason for increase in shareholdings
Listed shares	1	722	To maintain and enhance the business partnership involving the "MANGA UP!" manga app

(Issues for which the number of shares held declined in the fiscal year ended March 31, 2020)

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, 2020	Fiscal year ended March 31, 2019	Purpose of holdings, quantitative benefits of holdings & 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)		
and factory, inc.	379,784	—	To maintain and enhance the business partnership involving the "MANGA UP!" manga app	None
	419	—		

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 or not to maintain the holdings.

"Deemed holdings of equity securities"

None.

b. Investments in shares for purely investment purposes

None.

**(3) Status of shareholdings at filing company**

(i) Investments in shares for purposes other than purely investment purposes

None.

(ii) Investments in shares for purely investment purposes

Category	Fiscal year ended March 31, 2020		Fiscal year ended March 31, 2019	
	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	5	0
Shares other than those above	2	61	2	160

(Millions of yen)

Category	Fiscal year ended March 31, 2020		
	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	—	48 (—)

Notes: 1. No total valuation gain/loss figure is provided for non-listed shares as their lack of a market price makes it extremely difficult to determine their present value.  
2. Figures denoted with an asterisk under "Total valuation gain/loss" 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 follow.

Briefing sessions are held quarterly for institutional investors and analysts, with the President and Representative Director and the head of corporate planning or the head of accounting and finance providing the briefings. The Company conducts overseas road shows for foreign investors three times a year where the President and Representative Director and the head of corporate planning provide briefings. Moreover, the Company strives to engage in constructive dialogues with capital markets via individual meetings and small group meetings.

The Company hosts an IR conference after the Annual Shareholders' Meeting for individual investors. The briefing is delivered by the President and Representative Director and subsidiary executives.

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