

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.

Environmental Protection Initiatives

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

Social Contribution Initiatives

Providing a safer, more comfortable game-play environment

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

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

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

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

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

In 2017, we asked ourselves, “What would it be like if there were a Department of Games at the Tokyo University of the Arts?” To answer that question, we created just such a department for a limited time with the help of the university’s Graduate School of Film and New Media and its Center of Innovation. We held an exhibition in each of the next two years that showcased works from a variety of projects under the mentorship of creators from our Group company Luminous Productions Co., Ltd. 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. We will 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.

In 2018, we signed a collaborative agreement with Chuo University to enable the exchange and leveraging of human and intellectual resources. Under this agreement, we will work with the university’s Faculty of Global Informatics to hold a series of special lectures on game planning in the second semester of 2021. In addition to the programming and graphics skills required to develop a game, employees from our Group company Square Enix Co., Ltd. will cover a wide variety of topics in the lectures, including translation, artificial intelligence, and visual art direction.

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

Human Resources Initiatives

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

Human Resource Training

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

New employee onboarding: “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

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

“Daycare concierge service”

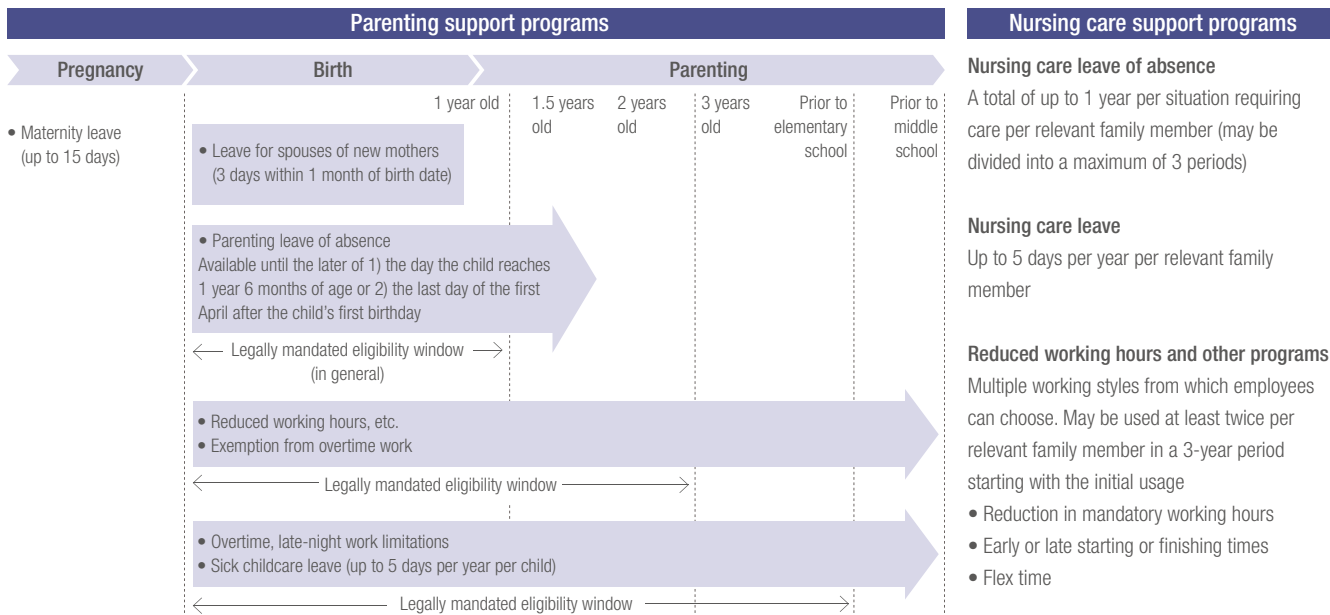
Employees have access to a third-party “daycare concierge” service. Experts share know-how, information, and advice to help new parents efficiently identify the best daycare option for them and make a smooth transition back to the workplace after the birth of a child.

Work-from-home program

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

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

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



Creative Business Unit III



Yasuyo Hirao

I use our reduced-hour flex and work-from-home programs.

We have two kids, and when you add in the travel time, I would have to take a half-day of leave when there were meetings or other events at their elementary school or daycare if I were working from the office. Working from home eliminates the travel time, so I'm able to make more effective use of my limited working hours.

Using these two programs has given me extra emotional bandwidth and made it easier to balance parenting and work.

Legal & Intellectual Property Division



Ken Kusakari

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

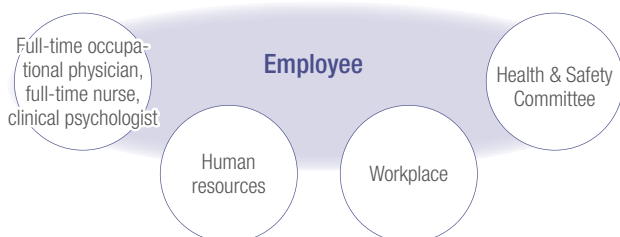
Firstly, I want to say that I am very grateful to be working somewhere so understanding. I had had some concerns since I had never taken off so much time, but thanks to the support of my teammates, I was able to make a smooth transition back to work.

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

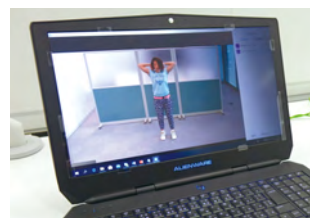
In order to provide its customers with the best products and services, employees have to be healthy. Having employees that are mentally and physically healthy and helping them improve upon that health is therefore a key priority for Square Enix. As such, it undertakes a variety of initiatives to communicate 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 to largely desk-bound employees simple stretches 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 put in place 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 the Square Enix Group, which develops a wide range of content and services. The Company believes that it is essential for the achievement of the Group's continuous growth and the maximization of its corporate value in the medium and long term to respect the interests of all the Company's stakeholders such as shareholders, customers, business partners, employees, and society, and to maintain good relationships with them under an agile, transparent, and sound management system. As such, the Company recognizes that the enrichment and enhancement of its corporate governance is a key management challenge, and the entire Group devotes itself to that end on an ongoing basis.

(2) Overview of corporate governance system and objectives

In an effort to enhance its corporate governance, the Company transitioned to a company with the Audit & Supervisory Committee as of June 22, 2018. The establishment of the Audit & Supervisory Committee comprising only outside directors works to strengthen the Company's auditing and supervisory functions over its management.

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

committee determines the individual amounts and the nature of remuneration for directors (excluding directors who are Audit & Supervisory Committee members) based on the basic policy on the executive remuneration system set forth by the Board of Directors. The committee also determines 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.

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

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

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

In addition, to ensure the maintenance of a robust risk management system, Company-wide risk management measures are integrated across organizational reporting lines. This is achieved through the reinforcement of relevant 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	◎		◎	◎
Outside Director	Yukihiro Yamamura	○		○	
Outside Director	Yuji Nishiura	○		○	
Outside Director	Masato Ogawa	○		○	
Outside Director	Mitsuko Okamoto	○			
Outside Director	Abdullah Aldawood	○			
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	○	○		
Chief Strategy Officer	Takashi Kiryu				○
Chief Accounting Officer	Atsushi Matsuda				○
Chief Legal Officer	Hajime Seki				○
General Manager of Internal Audit Office	Satoshi Fujii				○

(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 four.

(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, 2021
Yosuke Matsuda (President and Representative Director)	100.0% (17 out of 17 meetings)
Yukinobu Chida (Director)	100.0% (17 out of 17 meetings)
Yukihiro Yamamura (Outside Director)	100.0% (17 out of 17 meetings)
Yuji Nishiura (Outside Director)	100.0% (17 out of 17 meetings)
Masato Ogawa (Outside Director)	100.0% (17 out of 17 meetings)
Mitsuko Okamoto (Outside Director)	100.0% (14 out of 14 meetings)
Ryoichi Kobayashi (Outside Director (Standing Audit & Supervisory Committee Member))	100.0% (17 out of 17 meetings)
Tadao Toyoshima (Outside Director (Audit & Supervisory Committee Member))	100.0% (17 out of 17 meetings)
Hajime Shinji (Outside Director (Audit & Supervisory Committee Member))	92.8% (13 out of 14 meetings)

*Mitsuko Okamoto and Hajime Shinji were appointed at the 40th Annual Shareholders' Meeting held on June 24, 2020, so the number of Board of Directors meetings held since they assumed their roles and in which they would have taken part totals 14.

(10) Status of outside directors

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

The Company has eight 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
Yukihiro Yamamura, Yuji Nishiura, and Masato Ogawa possess abundant experience and broad-ranging insight as corporate executives. While having had no previous involvement with corporate management, Mitsuko Okamoto possesses abundant experience and broad-ranging knowledge and insight in the field of animation and other content. Based on these attributes, each of them has, since

assuming the role of outside director, supervised and served as a check on directors in the execution of their roles. In addition, at Board of Directors meetings, they have provided comments from an independent perspective with the goals of enabling the sustained growth of the Group, bolstering its corporate value over the medium and long term, and further enhancing its corporate governance capabilities.

Abdullah Aldawood possesses a track record as a national leader in the development of the field of entertainment in the Kingdom of Saudi Arabia, abundant experience in international financial institutions, and a wealth of experience and broad-ranging insight in global corporate management. The Company has selected him as an outside director based on its expectations that he will provide broad-ranging recommendations regarding the Company's entertainment content businesses and that he will supervise and serve as a check on our directors in the execution of their roles.

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, Abdullah Aldawood, 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, 2021 is described below. Moreover, the Company conducted a survey on the effectiveness of Board meetings and received positive feedback on the effectiveness of the meetings from the Board members. Based on these factors, the Company confirms that the Board is functioning in an effective manner.

- In principle, Board meetings are held once a month (17 meetings were held in the fiscal year ended March 31, 2021), whereupon the Board engages in discussions and makes decisions on matters that require the Board's resolution in a timely manner, while also receiving reports on the Group's businesses and providing supervision over operational execution.
- All directors had high rates of attendance (100% for eight of the nine, 92.8% for the remaining director), and sufficient time was secured for active discussions at the Board meetings.
- The Board subjects operational execution to effective discipline, with the Board at times deciding as the result of discussions to revise or revisit proposed items.

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

2. Status of Audits

(1) Status of audits by Audit & Supervisory Committee

Audits by the Audit & Supervisory Committee are carried out by three Audit & Supervisory Committee members, all of whom are outside directors. The Committee also requests regular reports from the 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 21 times during the fiscal year ended March 31, 2021, and attendance by the committee members was as follows:

Name (Position)	Status of attendance of Audit & Supervisory Committee meetings for the fiscal year ended March 31, 2021
Ryoichi Kobayashi (Standing Audit & Supervisory Committee Member)	100.0% (21 out of 21 meetings)
Tadao Toyoshima (Audit & Supervisory Committee Member)	100.0% (21 out of 21 meetings)
Hajime Shinji (Audit & Supervisory Committee Member)	94.1% (16 out of 17 meetings)

*Hajime Shinji was appointed at the 40th Annual Shareholders' Meeting held on June 24, 2020, so the number of Audit & Supervisory Committee meetings held since he assumed his role and in which he would have taken part totals 17.

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 the auditing environment, the nomination of directors who are Audit & Supervisory Committee members, and the nomination and remuneration of directors (excluding those who are members of the Audit & Supervisory Committee).

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

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

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, and the Information System Management Committee) and by reviewing the minutes of key meetings, contracts, internal decision-making records, and financial data.

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

(2) Status of internal audit

Internal audits are carried out by the Internal Audit Office, which reports directly to the President. The 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

15 years

(iii) Names of responsible certified public accountants

Kenichi Shibata, Designated Limited Liability Partners, Business Execution Partners

(Consecutive years of audit service: 7)

Miyuki Nakamura, Designated Limited Liability Partners, Business Execution Partners

(Consecutive years of audit service: 2)

(iv) Support team for accounting audit duties

29 certified public accountants and 31 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, 2020		Fiscal year ended March 31, 2021	
	Compensation for statutory audit operations	Compensation for non-audit operations	Compensation for statutory audit operations	Compensation for non-audit operations
The company	74	1	75	1
Consolidated subsidiaries	40	—	40	—
Total	114	1	116	1

The non-audit operations provided by the audit firm for which the Company paid compensation in both the fiscal year ended March 31, 2020 and the fiscal year ended March 31, 2021 were guidance and advice regarding the preparation of English financial statements.

There was no compensation for non-audit operations at consolidated subsidiaries in either the fiscal year ended March 31, 2020 or the fiscal year ended March 31, 2021.

(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, 2020		Fiscal year ended March 31, 2021	
	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	110	18	107	10
Total	110	21	107	10

Advisory services on internal controls were provided in the fiscal year

ended March 31, 2020. There was no compensation for non-audit operations at the Company in the fiscal year ended March 31, 2021.

The non-audit operations at consolidated subsidiaries were tax advisory services in both the fiscal year ended March 31, 2020 and the fiscal year ended March 31, 2021.

(iii) Compensation for other key audit certification work
(Fiscal year ended March 31, 2020)

None.

(Fiscal year ended March 31, 2021)

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, 2021 were judged to be appropriate as a result of comparisons with audit hours and compensation in the previous fiscal year and comparisons with the audit compensation of companies of the same scale and companies in the same industry.

3. Executive Remuneration

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

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

In order to ensure the objectivity and transparency of the Executive Remuneration System, the Company has at its discretion established a Remuneration and Nomination Committee comprising the Representative Director and Outside Directors. The Board of Directors establishes the Basic Policy on the Executive Remuneration System based on consultation with this committee, and the committee decides the individual amounts and the nature of remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members) in accordance with the Basic Policy on the Executive Remuneration System established by the Board of Directors, based on the authority granted to it by the Board of Directors.

Basic Policy on the Executive Remuneration System

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

- Remuneration for Executive Directors shall comprise fixed remuneration (monetary), performance-linked remuneration (monetary), and restricted stock remuneration. The ratio 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 restricted stock remuneration. The ratio shall be approximately 4:1.
- Fixed remuneration (monetary) shall be determined based upon role, remuneration in past years, the company performance to date, the need to retain talented human resources, research by specialized third-party organizations, remuneration trends at comparable companies, and economic conditions. Fixed remuneration (monetary) shall be paid monthly.
- 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 base amount determined by the Remuneration and Nomination Committee, and then multiplying the result by a pre-determined coefficient (no greater than 1.5 and no less than 0.5) in accordance with the relative growth rate of our company in the peer group determined by the Remuneration and Nomination Committee. Performance-linked remuneration (monetary) shall be paid once a year after the business results for each fiscal year are determined.
- The Company offers restricted stock remuneration in order to provide a long-term incentive to Directors (excluding Directors who are Audit & Supervisory Committee members) to work to achieve sustained growth and to enhance corporate value, as well as to encourage them to have an even greater sense of shared value with shareholders. Such a program is offered because it provides a sustained incentive to bolster the share price when it is down and because it serves as a replacement for the discontinued retirement allowance for directors. The Remuneration and Nomination Committee determines the remuneration value of the restricted stock, taking into account the balance with the monetary remuneration. The restricted stock is granted once annually during the second quarter.

Directors who are Audit & Supervisory Committee Members:

- In consideration of independence from management, only monetary remuneration shall be made.
- Fixed remuneration (monetary) shall be determined based upon role, remuneration in past years, the need to retain talented human

resources, research by specialized third-party organizations, remuneration trends at comparable companies, and economic conditions. Fixed remuneration (monetary) shall be paid monthly.

Director Remuneration Determination Process

- Individual amounts and the nature of remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members) shall be determined by the Remuneration and Nomination Committee based on the Basic Policy on the Executive Remuneration System established by the Board of Directors.
- Individual amounts and the nature of remuneration for Directors who are Audit & Supervisory Committee Members shall be determined via discussions by the Directors who are Audit & Supervisory Committee Members, with reference made to the basic policy determined by the Board of Directors.
- Individual amounts and the nature of remuneration shall be set within the

confines of the remuneration allocation approved at the General Shareholders' Meeting and shall be determined based upon a comprehensive consideration of annual earnings and each Director's performance in his or her role and contribution to corporate earnings, remuneration in past years, the need to retain talented human resources, research by specialized third-party organizations, remuneration trends at comparable companies, and economic conditions.

At the 41st Annual Shareholders' Meeting held on June 25, 2021, shareholders approved the introduction of a restricted stock remuneration plan to replace the previous stock option program with the goal of encouraging eligible directors to have an even greater sense of shared value with shareholders.

(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)	590 (57)	137 (45)	334 (—)	119 (12)	6 (4)
Directors (Audit & Supervisory Committee Members) (Outside Directors)	47 (47)	47 (47)	— (—)	— (—)	4 (4)
Total (Outside Directors)	637 (104)	184 (92)	334 (—)	119 (12)	10 (8)

- 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.
4. The above includes one outside director (Audit & Supervisory Committee member) who retired as of the conclusion of the 40th Annual Shareholders' Meeting held on June 24, 2020.

(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	517	Director	The Company	80	334	103

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, 2021, the status of shareholdings by the Company, 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 Company's basic policy is to hold publicly traded shares for the purpose of strengthening business alliances or trade relationships in instances where doing so will contribute to the enhancement of its corporate value over the medium or long term. Each year the Board of Directors and other bodies validate the rationale for holding listed shares by reviewing the status of achievement of the intended objective of the holdings and determining whether to continue holding the shares. The approach to assessing the appropriateness of holding individual issues is holistic, involving the performance of quantitative reviews of current and future earnings conditions and qualitative reviews on the status of achieving the intended purpose.

(ii) Number of issues and balance sheet value

Category	Companies in which shares are held	Total amount presented on balance sheets (Millions of yen)
Unlisted shares	1	259
Shares other than those above	—	—

(Issues for which the number of shares held increased in the fiscal year ended March 31, 2021)

Category	Companies in which shares are held	Total acquisition cost related to increase in shareholdings (Millions of yen)	Reason for increase in shareholdings
Unlisted shares	1	259	To obtain information on cloud streaming technologies and streaming operations
Shares other than those above	—	—	—

(Issues for which the number of shares held declined in the fiscal year ended March 31, 2021)

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"

None.

"Deemed holdings of equity securities"

None.

b. Investments in shares for purely investment purposes

Category	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2020	
	Companies in which shares are held	Total amount presented on balance sheets (Millions of yen)	Companies in which shares are held	Total amount presented on balance sheets (Millions of yen)
Unlisted shares	4	0	4	0
Shares other than those above	2	75	2	61

Category	Fiscal year ended March 31, 2021		
	Total dividends received	Total gain on sale of shares	Total gain on revaluation of shares
Unlisted shares	—	—	1 (Notes)
Shares other than those above	0	—	61 (—)

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.

(3) Status of shareholdings at Square Enix Co., Ltd.

As of March 31, 2021, the status of shareholdings by Square Enix Co., Ltd., which has the second 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 Company's basic policy is to hold publicly traded shares for the purpose of strengthening business alliances or trade relationships in instances where doing so will contribute to the enhancement of its corporate value over the medium or long term. Each year the Board of Directors and other bodies validate the rationale for holding listed shares by reviewing the status of achievement of the intended

objective of the holdings and determining whether to continue holding the shares. The approach to assessing the appropriateness of holding individual issues is wholistic, involving the performance of quantitative reviews of current and future earnings conditions and qualitative reviews on the status of achieving the intended purpose.

(ii) Number of issues and balance sheet value

Category	Companies in which shares are held	Total amount presented on balance sheets (Millions of yen)
Unlisted shares	1	26
Shares other than those above	1	273

(Issues for which the number of shares held increased in the fiscal year ended March 31, 2021)

None.

(Issues for which the number of shares held declined in the fiscal year ended March 31, 2021)

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, 2021	Fiscal year ended March 31, 2020	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	379,784	To maintain and enhance the business partnership involving the “MANGA UPI!” manga app	None
	273	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 to maintain the holdings.

“Deemed holdings of equity securities”

None.

b. Investments in shares for purely investment purposes

None.

5. IR Activities

The Company’s basic policy is to disclose information in a timely and appropriate manner in order to deliver useful information to its investors. In particular, the Company discloses in a timely fashion information with significant impact on investment decisions in accordance with the Timely Disclosure Rules set forth under the Financial Instruments and Exchange Act and by the Tokyo Stock Exchange, and proactively discloses other information determined to be useful to promoting understanding of the Company. The Company’s general principles of IR activities are as follows.

Briefing sessions are held quarterly for institutional investors and analysts, with the President and Representative Director and Chief Strategy Officer or Chief Accounting Officer providing the briefings. The Company conducts overseas roadshows for foreign investors three times a year where the President and Representative Director and Chief Strategy Officer 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), securities filings, annual reports, Annual Shareholders’ Meeting convocation notices, and other items on its website.