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CyberAgent, Inc.

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The state of corporate governance in CyberAgent and its Group is as follows.

I [Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information](#)

1. Basic Views

The CyberAgent Group (the “Group”) makes efforts to improve its corporate value under our vision of “To create the 21st century's leading company.” While recognizing that thoroughgoing corporate governance is essential for expanding business, the Group takes measures so that its corporate activities comply with laws, regulations, social norms, ethics, etc.

In order to respect the positions of stakeholders and fulfill corporate social responsibility, the Group produced the “CyberAgent Mission Statement” for the purposes of not only following laws and regulations, but also establishing corporate ethics, and strives to improve the morals of executives and employees.

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

Updated

<Mid-term management plan>

Principle 4-1-2: Since the business environment and technologies of the Internet industry, in which we operate business, are changing rapidly, we explain our mid to long-term managerial strategies continuously through IR activities, etc. instead of producing mid to long-term management plans, to promote the understanding of shareholders and investors.

<External directors>

Principles 4-8: One independent outside director who meets the qualification of an independent officer determined by the Tokyo Stock Exchange was appointed at the annual shareholders' meeting held on December 16. This is enabled discussions based on the opinions from independent and neutral position in the Board of Directors. In addition, in order to strengthen corporate governance, we are also considering appointing more than one independent outside director. We will strive to secure an appropriate candidate who understand our management and corporate value, and is independent from our company management.

[Disclosure Based on the Principles of the Corporate Governance Code]

Updated

<Cross-Shareholdings>

Principle 1-4: If business tie-ups are expected to be cemented, our company may hold the Cross-Shareholdings. As for the exercise of voting rights of such strategically held shares, we will examine the content of each bill and deal with it properly.

<Related Party Transactions>

Principle 1-7: With regard to all transactions, including the ones between related parties, our “regulations for the board of directors,” “rules for authority,” etc. set forth appropriate systems and procedures according to the scale and importance of each transaction. Each conflicting interest transaction of directors requires the approval of the board of directors pursuant to law, and the results of the transaction are reported at a meeting of the board of directors.

<Full Disclosure>

Principle 3-1:

1. Our vision, management strategies, etc. are disclosed in the financial reports and the website of the Company.
2. Our basic policy for corporate governance is written in our website, corporate governance reports, and securities reports.
3. With regard to compensation, etc. of Directors, it is determined based on the evaluation by their superiors, while comprehensively considering the performance of our corporate group, the situation of the business of which they are in charge, market environments, etc. so that the total amount compensation will not exceed the upper limit specified at a general meeting of shareholders.
4. With regard to the policy and procedures for nominating candidates for Directors, we adopted our original system for replacing executives called “CA8,” in which the number of operating officers is basically set at 8 for the constructive operation of the board of directors and two of them are replaced every two years. As for candidate auditors, we select those who understand the corporate ethos of our company and possess adequate expertise, experience, knowledge, and independence for appropriately auditing the performance of directors and operating officers, etc. while receiving the consent of the board of auditors.
5. The reasons for selecting each candidate external auditor are disclosed through the convocation notice of a general meeting of shareholders.

<Independence Standards and Qualification for Independent Directors>

Principle 4-9: Our company selects independent external directors in accordance with the independence criteria specified by Tokyo Stock Exchange. The board of directors select those who understand the business administration and corporate value of our company, are independent of the management of our company, and are expected to contribute to constructive discussions in the board of directors, as candidate external directors.

<View on the Appropriate Balance Between Knowledge, Experience and Skills of the Board as a Whole, and also on Diversity and Appropriate Board Size>

Principle 4-11-1: The number of members of the board of directors of our company shall be up to 10, as set forth in the articles of incorporation. We select candidate members while putting sufficient consideration to the balance and diversity of knowledge, experience, ability, etc. regarding each business of our company.

<Concurrent positions of Directors and Company Auditors>

Principle 4-11-2: Concurrent positions of Directors and Company Auditors are disclosed in the notice of annual general shareholders' meetings, securities reports, and corporate governance reports.

<Summary of Analysis and Evaluation concerning Effectiveness of the Board of Directors>

Principle 4-11-3:

We conducted a questionnaire survey about the effectiveness of the board of directors targeted at directors and auditors on October 6, 2016. In the result, regarding the number of times the Board of Directors has been implemented, the scope of the proposal being submitted, the quantity and the contents of the materials, there is no problem and deliberations are made with sufficient time secured. Directors are responsible for not only duties but also management supervision of the entire company, discuss about budget, performance forecast, business and management risk, etc. and then making decisions that contributes to the companywide business expansion, concentration and selection, corporate value improvement appropriately.

<Training policy for Directors and Company Auditors>

Principle 4-14-2: We hold training sessions for appointed directors and auditors while emphasizing compliance, to help them acquire necessary knowledge for fulfilling their roles and duties.

<Policy for dialogues with shareholders>

Principle 5-1: We recognize that in order to achieve sustainable growth and improve corporate value in the mid or long term, it is essential to have active

2. Capital Structure

Ratio of shares held by
non-Japanese shareholders

More than 30%

[Principal Shareholders]

Updated

As of the End of September, 2016

Name	No. of Shares (Shares)	Ratio(%)
Susumu Fujita	12,954,800	20.62%
Japan Trustees Services Bank, Ltd. (Trust Account)	3,563,300	5.67%
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,199,200	3.50%
JP MORGAN CHASE BANK 385632	2,009,547	3.20%
TAIYO FUND, L.P.	1,816,086	2.89%
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	963,700	1.53%
SAJAP	923,200	1.47%
BBH FOR OPPENHEIMER GLOBAL OPPORTUNITIES FUND	800,000	1.27%
JP MORGAN CHASE BANK 380055	788,841	1.26%
Japan Trustees Services Bank, Ltd. (Trust Account 9)	678,000	1.08%

Existence of a controlling shareholder
(excluding a parent company)

Existence of a parent company

None

Supplementary explanation

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3. Corporate Attributes

Listed market and section	Tokyo Stock Exchange First Section
Settlement period	September
Type of business	Services business
No. of employees (consolidated) as of the end of the previous fiscal year	More than 1,000
Net sales (consolidated) as of the end of the previous fiscal year	More than 100 billion yen and less than 1 trillion yen
No. of consolidated subsidiaries as of the end of the previous fiscal year	More than 50 and less than 100

4. Guideline regarding the measures for protecting minority shareholders in transactions, etc. with a controlling shareholder

5. Other Circumstances that May Have a Significant Impact on Corporate Governance

II State of Business Administration Organizations and Other Corporate Governance Systems related to Decision-making, Implementation and Oversight in Management

1. Matters related to Corporate Composition, Organizational Operation, Etc.

Organization type	Company with auditors
[Directors]	
No. of Directors specified in the Articles of Incorporation	10
Terms of a Director specified in the Articles of Incorporation	2 years
Chairman of the Board Directors	President
No. of Directors Updated	9
Appointment of Outside Directors Updated	Appointed
No. of Outside Directors Updated	1
No. of Outside Directors who is independent Updated	1

Relation with the Company (1)	Updated
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Name	Attribute	Relation with the Company									
		a	b	c	e	f	g	h	i	j	k
Koichi Nakamura	Worked in the other company				△						

Note1: Choices regarding relationship with the Company

Note2: If the said person correspond with the item below now or recently, fil in ○, or correspond in the past, fil in △.

Note3: If relatives of the said person correspond with the item below now or recently, fil in ●, or correspond in the past, fil in ▲.

- a. Is an operating officer of the listed company or its subsidiary
- b. Is an executive director or non-executive director of the listed company or its subsidiary
- c. Is an operating officer of the brother company of the listed company
- d. Is a person or operating officer who considers the listed company a major trading partner
- e. Is a major business partner of the listed company or an operating officer of a major business partner
- f. Is a consultant, accountant, or legal expert who receives large sums of money or other assets from the listed company other than executive compensation
- g. Is a principal shareholder in the listed company (if the subject principal shareholder is a corporation, an operating officer of the subject corporation)
- h. Is an operating officer of a business partner of the listed company not corresponding to (d.), (e.), or (f.) (Subject person only)
- i. Is an operating officer of an organization with which an outside director holds a concurrent position (Subject person only)

Relation with the Company (2)	Updated
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Name	Independent Director	Supplementary explanation on applied items	Reason for appointment
Koichi Nakamura	○	Until June 2014, He was the executive officer of Recruit Holdings Co., Ltd., which is the Company's specified related business operator (major customer)	He accumulated experience of business administration, understood the management and value of our company, and can give practical and objective advice and oversee the business operation of our company

Presence of any committee equivalent to the nominating committee or compensation committee	None
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[Auditors]

Establishment of a Board of Auditors	Established
No. of Auditors specified in the Articles of Incorporation	No upper limitation of No. of Auditors
No. of Auditors	3

State of Coordination between Auditors, Accounting Auditors and the Internal Auditing Division

Deloitte Touche Tohmatsu LLC executes the Company's accounting audits as well as the accounting audits of the Company's primary subsidiaries. Auditors hold periodic meetings with the Accounting Auditors regarding auditing plans and other matters as well as receive reports. An audit reporting session is held at the year-end settlement of the accounts. Exchanges of opinions are also made as needed. The Company's internal auditing is conducted by the Internal Audit Office. Auditors hold period meetings with the Internal Audit Office to receive reports on the state of the execution of internal audits and the results of auditing in addition to exchanging opinions regarding such matters as internal audit execution plans, specific internal auditing methods and measures for improving internal auditing operations. Auditors also cooperate with the Internal Audit Office upon the internal audits of the Company's divisions as well as Group companies and hold hearings from officers, view documents, conduct field audits, etc.

Appointment of Outside Auditors	Appointed
No. of Outside Auditors	2
No. of Independent Directors among Outside Auditors	2

Relationship of Outside Auditors with the Company (1)

Updated

Name	Attribute	Relationship with the Company (1)												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Masao Horiuchi	From another Company										○			
Isao Numata	From another Company													

Note1: Choices regarding relationship with the Company

Note2: If the said person correspond with the item below now or recently, fill in ○, or correspond in the past, fill in △.

Note3: If relatives of the said person correspond with the item below now or recently, fill in ●, or correspond in the past, fill in ▲.

- a. Is an operating officer of the listed company or its subsidiary
- b. Is a non-executive director or accounting advisor of the listed company or its subsidiary
- c. Is an operating officer or non-executive director of the parent company of the listed company
- d. Is a corporate auditor of the parent company of the listed company
- e. Is an operating officer of a fellow subsidiary of the listed company
- f. Is a person or operating officer who considers the listed company a major trading partner
- g. Is a major trading partner of the listed company or an operating officer of a major business partner
- h. Is a consultant, accountant, or legal expert who receives large sums of money or other assets from the listed company other than executive compensation
- i. Is a principal shareholder in the listed company (if the subject principal shareholder is a corporation, an operating officer of the subject corporation)
- j. Is an operating officer of a business partner of the listed company not corresponding to (f.), (g.), or (h.) (Subject person only)

Relationship of Outside Auditors with the Company (2)

Updated

Name	Independent Directors	Supplementary Information related to Applicable Relationship	Reason for Appointing the Outside Auditor (including the reason for appointing an independent director, if the outside auditor is also an independent director)
Masao Horiuchi	Yes	Masao Horiuchi is the Director, Head of General Planning Office of U-NEXT Co.,LTD.	In order to gain advice and proposals based on his abundant experience in and knowledge of finance, accounting, taxes and internal control. Masao Horiuchi is an Outside Auditor for whom there is no possibility of a conflict of interest arising with general shareholders. The Company believes that he is appropriate as an independent officer of the Company.
Isao Numata	Yes	Isao Numata is the President of Five Eyes Network, Co., Ltd. and is the director of Security Business Laboratory Co., Ltd.	In order to gain advice and proposals based on his abundant experience in and knowledge of finance, accounting, taxes and internal control. Isao Numata is an Outside Auditor for whom there is no possibility of a conflict of interest arising with general shareholders. The Company believes that he is appropriate as an independent officer of the Company.

[Independent Director-related]

No. of Independent Directors

Updated

3

Other items regarding Independent Directors

None

[Incentive Programs]**State of granting incentives to Directors****A stock option system has been adopted****Supplementary Information related to this Item**

Stock options are granted with the objective of further boosting the motivation and morale of the Company's Directors and employees to contribute to the consolidated performance of the Company as well as enhancing corporate value and further reinforcing the management culture.

Those object to the granting of SOP**Internal Directors, employees, directors and employees of subsidiaries****Supplementary Information related to this Item**

Stock options are granted with the objective of further boosting the motivation and morale of the Company's Directors and employees of the Company as well as Directors and employees of the Company's subsidiaries towards raising business performance, etc.
The total value of stock options as of November 30, 2016 was a balance of 938,400 (0.74% of issued shares including treasury stocks) issued shares and an assumed total paid-up value of 670,869,800yen.

[Directors' Compensation]**Disclosing status of the remuneration of each Director****The remunerations of individual Directors are not disclosed.****Supplementary Information related to this Item**

The compensation of the Company's Directors in the year ended September 30, 2016 was as follows.

segment	number of paid directors	value of compensation
Directors	8	556 million yen
Auditors	3	15 million yen
(Outside auditor) (2)		(6 million yen)
Total	11	572 million yen
(Outside directors) (2)		(6 million yen)

Existence of the policy for determining remunerations of the method for calculating them**None****Existence of a policy for determining the amount of compensation, or calculation method**

None

[Support System for Outside Directors (Outside Auditors)]

The Board of Directors Secretariat prepares materials in advance of the holding of a meeting of the Board of Directors and provides detailed briefings as needed to Outside Auditors. The Management Headquarters acts as the contact point for inquiries from Outside Auditors and carries out timely and appropriate information provision towards Outside Auditors.

2. Matters regarding Decision-making Functions related to the Execution of Duties, Audit and Supervision, Appointments, Compensation, Etc. (Outline of the current corporate governance system) Updated

Regarding matters related to the execution of duties, careful decision-making is carried out at the meeting of the Board of Directors, which is comprised of eight Directors and 1 Outside Director, 3 Auditors (include 2 Independent Outside Auditor) in attendance on particularly important matters, etc. that are established through law, the Company's Articles of Incorporation and internal regulations as matters to be determined by the Board of Directors. Regularly scheduled meetings of the Board of Directors are held once a month, with extraordinary meetings held as needed. A total of 13 meetings of the Board of Directors were held in FY2016.

Regarding the matters other than what is regarded as a matter to be resolved by the Board of Directors, flexible decision-making is practiced at a full-time board meeting consisting of eight full-time executive directors and one full-time corporate auditor on weekly basis.

Important investments are discussed by the Investment Committee carefully in advance, and the results of the discussion are reported to the Board of Executive Directors and the Board of Full-Time Directors, so as to make more appropriate decisions for investments. The Company has selected the company with the Board of Corporate Auditors as the institutional design under the Corporate Law, auditors attend the meetings of the Board of Directors and other important meetings, to check the legality of business execution. If necessary, they receive reports and explanations from the executives and employees of the Company, and investigate major subsidiaries and offices, etc. The Board of Auditors holds monthly and extraordinary meetings. In FY2016, a total of 13 meetings were held.

The Internal Audit Office, which is in charge of carrying out the internal audits of the Company's divisions and subsidiaries in cooperation with Auditors, report the results of the audits to the Board of Directors once every quarter.

3. Reason why the current corporate governance system has been adopted Updated

Company recognizes it as one of the important issues of management, that the company improves governance structure and carries out prompt measures.

Auditing of the corporate group is conducted by two outside auditors of independent directors, which the Company considers sufficient to fulfill the function of external oversight and advice to management, and to ensure objectivity and independence. From the viewpoint of seeking to improve corporate value over the medium to long term, one Independent Outside Director provides advice on management policies, supervision of the execution of duties by Directors, oversee of such conflicts of interests between the Company and the Directors. In addition, as an independent measure for corporate governance, the Company has introduced the "CA8" system for replacing directors. The upper limit of the number of directors is 8 and 2 directors are replaced with new ones every two years, so that the board of directors functions in a constructive manner.

III State of Executing Measures related to Shareholders and Other Stakeholders

1. State of Efforts Made toward the Revitalization of the Annual General Meetings of Shareholders and Facilitation of the Execution of Voting Rights

	Supplementary explanation
Early dispatch of Convocation Notice of Shareholders' Meeting	The Company makes efforts to send out proxy materials at an early date in order to allow shareholders sufficient time to consider resolutions. Proxy materials are dispatched more than one week prior to the statutory date (more than three weeks before the convening of the General Meeting of Shareholders). Materials are also made available on the Company's website, the Tokyo Stock Exchange's website and the electric platform of voting exercise prior to the dispatch date.
Setting of the Annual General Meeting of Shareholders on dates that avoid peak general Shareholder meeting seasons	In order to more shareholders join Annual General Meeting, the date is decided avoiding concentrated days. The 19th Annual General Meeting of Shareholders was held on Friday, December 16, 2016.
Execution of voting rights through electromagnetic methods	Since the 10th Annual General Meeting of Shareholders (held on December 20, 2007), the Company has accepted the execution of voting rights via the Internet from personal computers and mobile phones so that more shareholders can participate the meeting.
Measures to promote the use of the electronic voting platforms, and other improvements to the voting environment for institutional investors	The Company adopted electronic voting platforms from the 18th Annual General Meeting of Shareholders (held on December 11, 2015), in order to provide institutional investors with sufficient time to consider the content of the resolutions.
Brief notice of convocation in English	A brief notice of English convocation is published on the corporate website.
Others	Notice of Shareholders Meeting; Posted information necessary for investment judgment without excess or deficiency with photos and graphs. Briefing; In the reporting part, we report our business report with video movie. In the second section, our President explains performance or business models. Webcast; Movie of Shareholders Meeting is uploaded on our website. Venue; The Company takes consideration of convenient access and holds the Annual General Meeting of Shareholders at a venue close to a train station.

2. State of IR related Activities

Updated

	Supplementary explanation	Explanation provided by the president
Production and announcement of disclosure policy	Our disclosure policy is written in our homepage in order to understand shareholders basic policy, disclosure method, and silent period https://www.cyberagent.co.jp/en/disclosure/	
Holding of regularly scheduled briefings for individual investors	A briefing for shareholders is held after the shareholders' meeting where representatives speak about the results and business strategies. Individual investors are able to see in-depth information such as business summary and financial statements via use of the generator on the official website of our company. We are striving to do our best in order to ensure that you have the most in-depth and up-to-date information.	Yes
Holding of regularly scheduled briefings for analysts and institutional investors	* A briefing for analysts and institutional investors is held in accordance with the date of the announcement of quarterly financial results, and the president reports on the details of the financial closing as well as the corporate strategy. *The live broadcasting of financial results briefing sessions via our service "AbemaTV FRESH!" was started from the briefing session for the second quarter of the term ending Sep. 2016. We will make efforts to disclose timely, unbiased information by not only offering recorded footages, but also streaming briefing sessions live to individual investors and shareholders. * Small meetings for institutional investors attended by the president, Director and others are held more than ten times a year. *In addition, we hold briefing sessions for institutional investors for explaining our strengths, strategies, etc. according to the industrial trend.	Yes

Holding of regularly scheduled briefings for overseas investors	On the day of every financial results announcement, we hold a telephone conference with overseas investors. In addition, since the briefing session of FY2016, the scenes of the briefings for institutional investors in Japan are live broadcasted through our website on that day with simultaneous interpretation to strive for equal information disclosure. Also, we hold telephone or TV conference with overseas investors regularly on every quarter as well as having IR tour in foreign countries to meet investors outside Japan directly in several times a year.	Yes
Publication of IR materials on the corporate website	The Company posts results information (including annual business reports, and securities reports), timely disclosure documents, results briefing materials, video of results briefings, Q&A summaries, and other investor materials on its Japanese language IR site (https://www.cyberagent.co.jp/ir/) and its global site (https://www.cyberagent.co.jp/en/ir/). Of particular note, since 2014 the Company has posted the annual business report on a special website to allow for easier viewing. In 2015, we produced a special website that can be browsed with smartphones, etc. so that you can access our information from a variety of devices. Then 2016, we are making efforts to provide video contents to explain non-financial information The Company has also newly posted a factsheet as part of an effort to expand the scope of IR materials.	
Establishment of an IR-related division (person in charge)	Division in charge: PR&IR Division Officer in charge: Susumu Fujita, President Person in charge of information handling: Go Nakayama, Managing Director Person in charge of clerical communication: Sonoko Miyakawa, Senior Manager, PR&IR Division	
Other	Our homepage and owned media disclose technical information and contents for newly investors, so as to further enrich qualitative information. In addition, we also engage in the bilateral information transmission utilizing blogs, Facebook, and Twitter, which are attracting attention these days. In order to extend access opportunity from various devices, we provide website applied for smartphones. Owned media "FEATURES": Introduce our services, human resources and competence. Video contents for investors "IR channel" : Introduce interviews of board members, our services by video PR Blog Our PR staff is blogging including own services introduction, employee and industry information. Facebook and Twitter Timely and real-time information sharing IR BBS	

3. State of Efforts related to Respect of the Stakeholder Position

Updated

	Supplementary explanation
Stipulation in in-house regulations, etc. regarding respect of the stakeholder position	In order to respect the positions of stakeholders and fulfill corporate social responsibility, the Group produced the "CyberAgent Mission Statement" for the purposes of not only following laws and regulations, but also establishing corporate ethics, and strives to improve the morals of executives and employees.
Execution of environmental conservation and corporate social responsibility activities	We have placed more importance on the growing industry of the internet, and have equipped ourselves with the knowledge to use it effectively. We are making efforts in the various fields of "Education and Cultivation", "Safety and Safe Online Use", "Regional and Social Contribution", "Sports and Cultural Support". In addition, we have started placing efforts into "Creating Work Opportunities" as we have recognized the importance in continually creating employment to contribute society. In particular, in terms of "Education and Cultivation", we see the social significance of cultivating adept young programmers and have founded CA Tech Kids Inc., a consolidated subsidiary, which provides programming lessons to elementary school students. We operate the crowdfunding platform "Makuake" through our subsidiary, CyberAgent Crowd Funding, Inc. Crowdfunding service is one of the growth strategies the Japanese government sets and is effective for nurturing venture companies. We aim to contribute to revitalization of the Japanese economy through "Makuake."
Formulation of policies, etc. related to the provision of information to stakeholders	The Company's policy related to the provision of information to stakeholders is clearly stated in its Disclosure Policy. The Company executes information disclosure in accordance with the Tokyo Stock Exchange's timely disclosure regulations. Regarding important information that may have an impact on investment decision-making, the Company strives to enable equal access by all stakeholders to such information.

Others

Policy and actions to be a woman-friendly company

Women currently comprise 33% of employees on a non-consolidated basis. The Company, while remaining a venture firm with a vision to “create the 21st century’s leading company,” and based on a policy of offering employees lifetime employment and providing “challenges and peace of mind as a set,” focuses on creating an environment in which “talented employees continue to actively participate over the long term.” Measures for the active participation of women, along with the systems and environment that support it, are as follows.

*Active participation of women

We support the women's social advancement promoted by the Japanese government, and we are promoting the employment of women. The Company encourages the participation of women, and at every career stage, including recruitment and promotion, conducts its evaluations based on ability and performance, without regard to gender. The Company supports an environment that makes it easy for women to continue working.

*Systems and environment to support women

The Company has previously provided childcare assistance to employees, including systems such as reduced working hours and maternity benefits. In May 2014 the Company introduced the new “macalon” system to support women. (The name is a combination of “mama” (ma), CyberAgent (ca), and “long” (lon), as in “work for a long time.”) The program comprises 1) “Pre-pregnancy Leave” that can be taken for such purposes as going to the hospital for fertility treatments; 2) “Pre-pregnancy Concierge” to receive individual counseling by a professional; 3) “Kids at Home” to allow employees to work from home when caring for children, such as due to a sudden illness or when children are unable to attend nursery school; and 4) “Kids Day Leave” to allow employees time off for school events, such as entrance/graduation ceremonies or parent participation days, or other anniversaries. Additionally, in 2016, we introduced 3 systems that 1) the company bears part of expensive non-approved nursing fees to promote the return of female employees who can not return to work because they can not enter certified nursery school, 2) “Lunch with your local” which provides a place and opportunity for information exchange among mom employees living in the same city/town/village, 3) a public information magazine for mom employees. These systems are aimed at improving the workplace environment where women can continue working even after childbirth and childcare, and we agree with promoting women's advancement of society promoted by the government. Through these efforts, we are carrying forward to build a company that allows employees to work for long periods while enriching their work and life.

IV Items regarding internal control systems, etc.

1. Basic Approach related to Internal Control Systems and the State of Their Implementation

1. General Thoughts Concerning the Internal Control System and Status of Development

We are striving to maximize the potential of our internal control system as one of the core functions of our corporate governance. In order to ensure that board members carry out their professional duties according to law and articles of incorporation, and also to ensure that the corporate group composed of our company and its subsidiaries conducts businesses appropriately, we have established the internal control system as follows.

1. A system in which information regarding professional duties performed by board members will be stored and maintained.

The Board of Directors will appoint a delegate to be responsible for overseeing all functions of the company regarding the storage and management of information regarding professional duties performed by board members. This includes abiding by the regulations regarding the handling of documents, confidential information, protection of personal information and management of insider information. They will record any information concerning the board members' business actions in written documents or electronically and keep it in storage.

2. Regulation and system concerning management of risk of loss.

According to the emergency response regulation, we should expect certain risks and categorize them. In times of emergency, we should be prepared to send information and carry out the emergency protocols promptly and accurately. In addition, the internal auditing department must abide by the internal auditing regulations, understand the cross-departmental risks, carry out inspections and give a report on management risks at the board meeting on a regular basis.

3. A system to ensure that board members' professional duties are carried out efficiently.

We establish company-wide goals for efficient businesses to be shared by both board members and employees. In order to complete these goals, board members should ensure that they are thoroughly understood and set concrete targets for individual departments to aim towards. Managerial accounting methods should be used on a regular basis to review goal achievements, and through feedback from our results, we will be able to guarantee the efficiency of our work.

4. A system to ensure that the professional duties of board members and employees are carried out according to law and articles of incorporation.

The management office will monitor the professional duties of board members and employees, and will carry out company training as deemed necessary. In addition, the internal auditing department will cooperate with the Board of Auditors, understand the professional duties of board members and employees, carry out regular inspections, and make reports to the Board of Directors.

5. A system to ensure that business carried out in a corporate group composed of a parent company, subsidiaries and our own are suitable.

The Board of Directors will give the management director a set of goals that the company group (our company and subsidiaries) must achieve. They will also be given responsibilities in which they will be expected to build a system of laws and compliance to assist with risk management. The management office will promote and manage this in a cross-sectional way. In addition, we will set up a regulation concerning the management of affiliated companies in order for them to work towards improving their results and contribute to the overall success of the group. In this regulation, subsidiary companies will be expected to create a system where they will regularly report their results. They are also obligated to report to the Board of Directors in advance on a fixed set of important matters and risks. Among which, some of these will be on the agenda. Furthermore, the internal auditing department will regularly carry out inspections on the subsidiary companies, and report to the Board of Directors.

6. Matter concerning requests by auditors for assistance from employees.

The Board of Auditors may request assistance from employees in the internal auditing department when deemed necessary.

7. Matters concerning the independence of employees from board members and the effectiveness of instructions given to employees in the auditing department.

Employees that are expected to assist in the affairs of the auditing department must follow the orders of their superiors without question. In addition, employees who have been moved due to personnel changes must respect the opinion of the Board of Auditors.

8. System regarding reports made to the auditing department.

Board members, the management office and internal auditing department must report the following matters to full-time auditors on a regular basis. The auditors will then submit the report to the Board of Auditors.

- 1) Matters relating to important decision making.
- 2) Important matters regarding the financial state of the business.
- 3) Matters concerning instances that may cause considerable harm to the company.
- 4) Important matters relating to the state of the internal auditing department and risk management.
- 5) Violations of the articles of incorporation or law.
- 6) Other important matters.

2. Basic Position to Eliminate Antisocial Forces and the Status of Promoting the Position

The Group is constantly aware of the need for an awareness of risk management towards antisocial forces, which pose threats against social order and safety. The Group will, as an organization, thoroughly respond with a firm attitude to such antisocial forces. Furthermore, with the objective of eliminating antisocial forces, the Group has been collaborating for some time with Outside specialized bodies, such as law enforcement organizations and attorneys at law, and promoting the reinforcement of information gathering, management and in-house systems related to antisocial forces.

1. Introduction of Takeover Defensive MeasuresExistence of takeover defense measures: None

Existence of takeover defense measures: None
Supplementary explanation regarding this matter

2. Matters Concerning Other Corporate Governance Structures

Updated

The Company makes proactive and prompt disclosure in order to provide shareholders and investors with timely information in an impartial manner, and to ensure transparent management.

In terms of specific measures, the Board of Directors meets regularly once a month, with extraordinary sessions held as necessary. Independent outside director and independent outside company auditors attend these meetings, and proactively offer opinion, providing a system of checks to ensure fair decision-making regarding execution of significant business matters. In addition, the Company has adopted the Board of Company Auditors system. The Board of Company Auditors in principle holds regular meetings once a month, strengthening the functions for assessing relevant facts, and monitoring the status of business execution by the Board of Directors, as well as disclosure. Further, the Internal Audit Office conducts internal audits in cooperation with the Board of Company Auditors. Specifically, the office reviews documents and conducts on-site investigations to confirm that internal projects and Group companies execute proper corporate activities in accordance with guidelines prescribed by the laws and regulations, the Articles of Incorporation, social norms, and internal company rules, providing a system of appropriate checks on operational flow.

For financial auditing, the Company strives for accurate information disclosure, including having audits and quarterly reviews conducted by an audit corporation, and receiving suitable advice regarding important accounting treatment.

In accordance with these measures, the Company's internal structures relating to timely disclosure of corporate information are as follows.

1. Person in charge of handling information and responsible department

The person in charge of handling information for timely disclosure is the managing director. In the disclosure work process, the management headquarters and PR/IR office create disclosure documents and execute disclosure under the direction of the person in charge of handling information. The management headquarters and PR/IR office, in order to disclose corporate information to investors and other parties in a timely and appropriate manner, works to compile information in cooperation with the Company's Board of Directors and departments, as well as with managers of Group companies, and related departments and divisions.

2. Decisions

Major decisions are made at regular or extraordinary meetings of the Board of Directors. Decisions are reported promptly to the management headquarters and PR/IR office by the person in charge of handling information, with timely disclosure made as necessary.

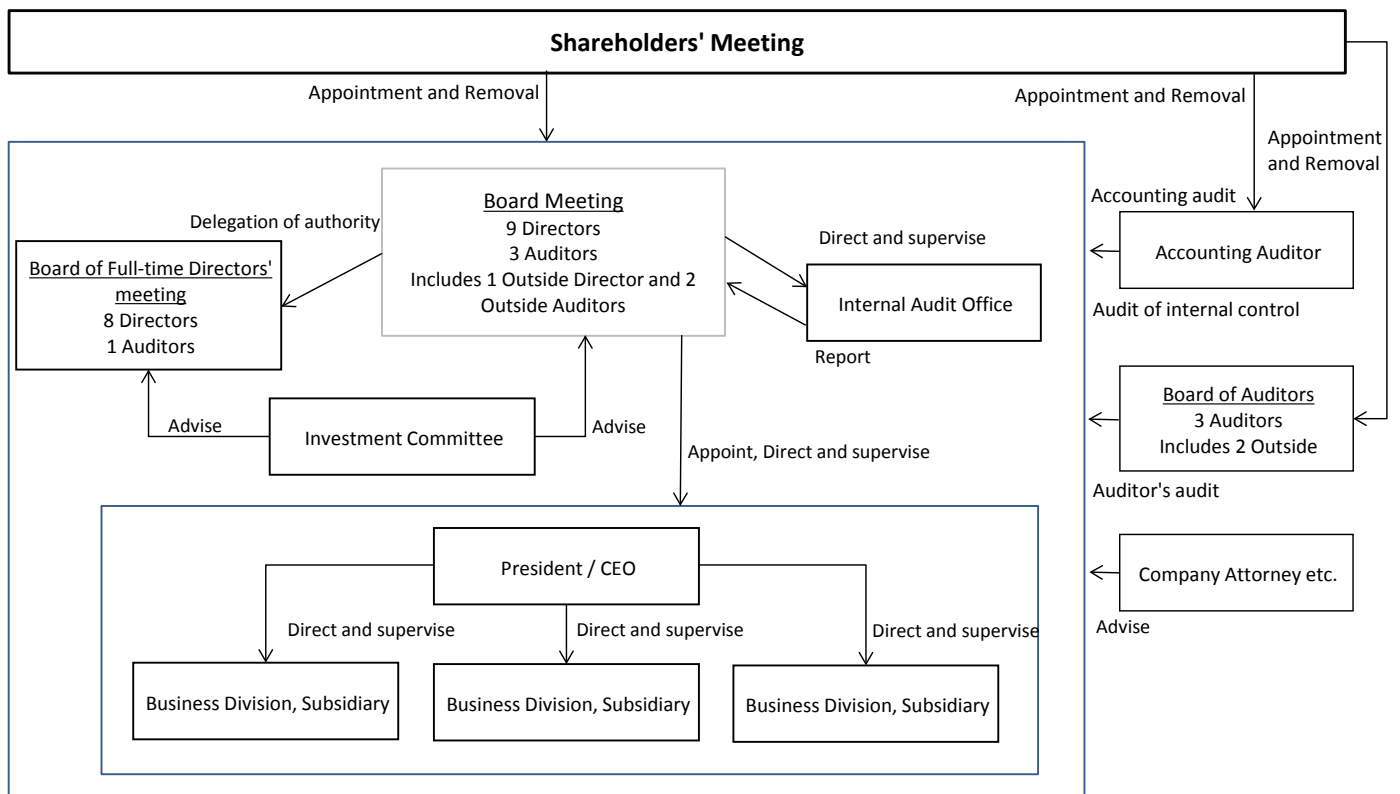
3. Structure for assessing material facts

When material facts arise, they are compiled by the various divisions and interdepartmental committees, summarized by the person in charge of handling information, and immediately discussed by the Board of Directors. Material facts that arise are reported promptly to the management headquarters and PR/IR office by the person in charge of handling information, with timely disclosure made as necessary.

4. Timely disclosure

For major decisions, facts that have arisen, and results information, the Company, under the direction of the person in charge of handling information, determines the necessity of timely disclosure, the timing of disclosure, and the content of the disclosure, in accordance with rules for timely disclosure, while holding proper prior consultation with external financial auditors, legal counsel, the Tokyo Stock Exchange, the Kanto Finance Bureau, and other

[Pattern diagram of Corporate Governance Structure]



[Pattern diagram of Timely disclosure system]

