

## Corporate Governance Report

CyberAgent, Inc.

Latest Revision: April 26, 2018  
Company: CyberAgent, Inc.  
Representative: Susumu Fujita,  
Representative Director and  
President  
Inquiries: IR&SR Division  
Securities Code: 4751  
URL: <https://www.cyberagent.co.jp/en/>

The following is an overview of corporate governance at CyberAgent, Inc.

### **I Basic Policy, Capital Structure, Corporate Attributes and Other Basic Information**

#### **1. Basic Policy**

The CyberAgent 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.

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 Not Implementing Principles of Corporate Governance Code]**

<Medium-term management plan>

Principle 4-1-2: CyberAgent (the Company) operate businesses in the Internet industry, which the business environment and technologies are changing rapidly. Therefore, instead of producing medium to long-term management plans, we explain our medium to long-term management strategies continuously through IR activities to promote the understanding of shareholders and investors.

#### **[Disclosure Based on the Principles of the Corporate Governance Code] Updated**

<Strategic-Shareholdings>

Principle 1-4: If business tie-ups are expected to be cemented, the Company may hold the Strategic-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 Company's website.
2. Our basic policy for corporate governance is written on our website, corporate governance reports, and securities reports.
3. The amount of remuneration of each director (excluding a member of the Audit and Supervisory Committee) will be determined by Representative Director who has been entrusted from the Board of Directors within the limit of remuneration which is approved at the general meeting of shareholders. The decision will be made considering the role, level of contribution and performance of each director. The amount of remuneration of each director who is a member of the Audit and Supervisory Committee are determined through consultation by directors who are members of the Audit and Supervisory Committee.
4. With regard to the policy and procedures for nominating candidates for Directors, we adopted a unique director rotation policy called "CA8," which limit the number of Directors to eight and change two of them every two years for the constructive operation of the Board of Directors. As for Directors who are Audit and Supervisory Committee member, we select those who understand the corporate ethos of our company and possess adequate expertise, experience, knowledge, and independence for appropriately auditing and supervising with the Audit and Supervisory Committee's agreement.
5. The reasons for nominating each director candidate are disclosed through the convocation notice of a general meeting of shareholders.

### <Roles and duties of directors>

Principle 4-1-1: The board of directors decides the execution of each business specified as items to be decided by the board of directors in the "regulations for the board of directors," "rules for authority," etc. For the execution of other businesses, the management is entrusted with decision making for them in accordance with the "rules for authority."

### <External directors>

Principles 4-8: Three independent outside directors who meet the qualifications of an independent director as stipulated in the Tokyo Stock Exchange are appointed. ITOCHU complies with all principles set forth in the Corporate Governance Code with the exception of Supplementary Principle 4.11.3. The Company's reasons for not implementing this supplemental principle are as follows.

### <Independence Standards and Qualification for Independent Directors>

Principle 4-9: the 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 15 (of which members of the Audit and Supervisory Committee are limited to three), as set forth in the Articles of Incorporation. We nominate candidates with full attention to the balance between knowledge and experience in our business and capability of each member, as well as diversity.

### <Concurrent positions of Directors>

Principle 4-11-2: Concurrent positions of Directors (include Audit and Supervisory Committee members) are disclosed in the Notice of annual general shareholders' meetings, Securities Reports, and Corporate Governance Reports.

## English Translation

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### <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 include Audit and Supervisory members on September 28, 2017. The results of the survey showed that deliberations are made with sufficient time secured for the Board meeting. Directors do not only stick to their own responsibilities but make appropriate decisions which will contribute to the companywide business expansion, concentration and selection, enhancing enterprise value based upon discussions about budget, performance forecast and risk factors which can affect business and management.

Also, there is no problem in regard to the number of times the Board of Directors being held, the scope and quantity of the proposals being submitted, and the content of materials.

### <Training policy for Directors>

Principle 4-14-2: We hold compliance training sessions for all appointed directors to help them acquire the 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 enterprise value in the medium to long term, it is essential to have active dialogues with investors, including shareholders, and reflect their opinions and requests in our business administration. We developed an IR system, in which the representative director and managing director in charge of corporate function take central roles and the IR&SR Division serves as a contact point, for responding to inquiries from shareholders and other investors.

## 2. Capital Structure

Ratio of Shares Held by Foreigners	More than 30%
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### [Major Shareholders] **Updated**

Name or Designation	Number of Shares Held (Shares)	Shareholding Ratio (%)
Susumu Fujita	25,909,600	20.60
Japan Trustee Services Bank, Ltd. (trust account)	6,270,000	4.98
The Master Trust Bank of Japan, Ltd. (trust account)	4,966,800	3.95
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	4,488,712	3.57
THE BANK OF NEW YORK 133524	3,715,100	2.94
GOLDMAN SACHS INTERNATIONAL	3,380,076	2.69
J.P. MORGAN BANK LUXEMBOURG S.A. 385576	2,562,000	2.03
MSIP CLIENT SECURITIES	2,541,770	2.01
Japan Trustees Services Bank, Ltd. (Trust Account 5)	2,399,900	1.90
JP MORGAN CHASE BANK 385632	2,371,586	1.89

Controlling Shareholders (excluding parent company)	—
Parent Company	—

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### 3. Corporate Attributes

Stock Exchange Listings and Market Classification	First Section, Tokyo Stock Exchange
Fiscal Year-end	September
Industry	Service
Number of Employees as of Previous Fiscal Year-End (Consolidated)	1,000 or more
Total Trading Transactions in Previous Fiscal Year (Consolidated)	More than 100 billion yen and less than 1 trillion yen
Number of Consolidated Subsidiaries	More than 100 and less than 300

### 4. Policy for Measures to Protect Minority Shareholders When Conducting Transactions with Controlling Shareholder

N.A.

### 5. Other Exceptional Circumstances that May Have a Material Impact on Corporate Governance

N.A.

## II Overview of Business Management Organization and Other Corporate Governance Systems Related to Managerial Decision-Making, Business Execution, and Management Supervision

### 1. Items Related to Organizational Structure and Operations, etc.

Form of Organization	Company with Audit and Supervisory Committee
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#### [Directors]

Number of Directors Stipulated in Articles of Incorporation	15
Term of Office for Directors Stipulated in Articles of Incorporation	1 year
Chairman of the Board of Directors	President
Number of Directors	12
Election of Outside Directors	Elected
Number of Outside Directors	3
Number of Outside Directors Designated as Independent Director	3

#### Relationship with the Company (1)

Name	Attributes	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Koichi Nakamura	Worked at the other company					△							
Masao Horiuchi	Worked at the other company								△				
Isao Numata	Worked at the other company												

#### \* Relationship with the Company

○: shows the item is/was applicable to the outside director either currently or until recently

△: shows the item was applicable to the outside director in the past

●: shows the item is/was applicable to a close relative of the outside director either currently or until recently

▲: shows the item was applicable to a close relative of the outside director in the past

- A person performing an executive role at the Company or its subsidiary
- A person performing an executive role at or who is a non-executive director of the Company's parent
- A person performing an executive role at an affiliate who is another subsidiary of the Company's parent
- A person (or its person performing an executive role) whose major customers include the Company
- A person (or its person performing an executive role) who is a major customer of the Company
- A consultant, accountant or lawyer who receives a large amount of monetary compensation or other property (other than remuneration as the outside director) from the Company
- A major shareholder (or its person performing an executive role) of the Company
- A person performing an executive role at a customer of the Company (other than those to which item d, e or f applies) (this item applies only to the outside director himself/herself)
- A person performing an executive role at an entity who has an outside director or corporate auditor from the Company
- A person performing an executive role at an entity to which the Company makes donations (this item applies only to the outside director himself/ herself)
- Others

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### Relationship with the Company (2)

Name	Audit and Supervisory Committee member	Independent Director	Supplementary Information Related to the Criteria	Reason for Appointment as Outside Director (For Independent Directors, Including Reason for Designation as an Independent Director)
Koichi Nakamura		✓	Until June 2014, he was an executive officer of Recruit Holdings Co., Ltd., which is the Company's specified related business operator (major customer)	Mr.Nakamura has 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 from an independent standpoint.
Masao Horiuchi	✓	✓	Until June 2017, he was an executive officer of USEN-NEXT HOLDINGS which is the Company's business partner.	Based on his extensive experiences and profound knowledge of finance, accounting, taxation, and internal control, and through his objective management monitoring of the company, the Company's corporate governance structure will be further strengthened.
Isao Numata	✓	✓		Based on his extensive experiences and profound knowledge of company management and the stock market and through his objective management monitoring of the Company, the Company's corporate governance structure will be further strengthened.

### Advisory Committee(s) to the Board, Composition and Attribution of Chairperson

Name of Committee	Total Number of Members	Full-time Member	Internal Directors	Outside Directors	Chairman
Audit and Supervisory Committee	3	1	1	2	Internal Director

Appointment of Directors and employees who assist the Audit and Supervisory Committee with its duties	Appointed
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### Matters relating to the Independence of Such Directors and Employees from Executive Directors

Employees who assist Director who is member of Audit and Supervisory Committee with its duties follow his or her leadership.

### Cooperation between Audit and Supervisory Committee, Accounting Auditors and the Internal Auditing Division

Director who is a full-time Audit and Supervisory Committee member hold regular 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. She also cooperates with the Internal Audit Office upon the internal audits of the Company's divisions as well as Group companies and has interviews with Directors and employees, check documents, conduct field audits.

Additionally, Directors who are Audit and Supervisory Committee members hold periodic meetings with Accounting Auditors to share information about auditing plans and audit results. Exchanges of opinions are also made as needed to increase effectiveness and efficiency of audits and to further strengthen corporate governance.

### [Voluntary Establishment of Committees]

Voluntary Establishment of Committees equivalent to Nomination Committee or Compensation Committee	None
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### [Independent Directors]

Number of Independent Directors	3
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### Matters relating to Independent Directors

N.A.

### [Incentive Programs]

Incentive Policies for Directors	The stock option system has been adopted
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### Supplementary Information

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.

Grantees of Stock Options	Internal Directors, employees, directors and employees of subsidiaries
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### Supplementary Information **Updated**

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 March 31, 2018 was a balance of 832,600 (0.66% of issued shares including treasury stocks) issued shares and an assumed total paid-up value of 578,578,600 yen.

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### [Directors' Compensation]

Disclosure of Individual Directors' Compensation	The compensation of individual Directors is not disclosed.
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### Supplementary Information

The compensation of the Company's Directors in the fiscal year ended September 30, 2017 was as stated below.

Category	Number of paid Directors	Value of Compensation
Directors	11	396 million yen
(Outside Directors)	(1)	(9 million yen)
Auditors	3	15 million yen
(Outside Auditors)	(2)	(6 million yen)
Total	14	412 million yen
(Independent Directors)	(3)	15 million yen

\* The value of compensation above include cost of stock option granted to the directors (133 million yen).

Policy on Determining Compensation Amounts and Calculation Methods	None.
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### Disclosure of Policy on Determining Compensation Amounts and Calculation Methods

N.A.

### [Support System for Outside Directors]

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 Directors. The Management Headquarters acts as the contact point for inquiries from Outside Directors and carries out timely and appropriate information provision towards Outside Directors.



## **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 the 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 twelve Directors (include three Independent Outside Director) in attendance on particularly important matters 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 14 meetings of the Board of Directors were held in FY2017 and attendance of all Directors was 99.4%.

Regarding the matters that are not 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 Director who is an Audit and Supervisory member on a 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 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 Audit and Supervisory Committee as the institutional design under the Corporate Law, Directors who are members of the Audit and Supervisory Committee 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 Audit and Supervisory Committee hold monthly and extraordinary meetings.

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

## **3. Reasons for adopting the current corporate governance system**

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

The Company adopted the Company with Audit and Supervisory Committee. From the viewpoint of seeking to improve corporate value over the medium to long term, three Independent Outside Directors provide advice on management policies, supervision of the execution of duties by Directors, oversee of such conflicts of interests between the Company and the Directors based upon their experience and knowledge about management, finance, accounting and stock market.

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 eight and two directors are replaced with new ones every two years, so that the board of directors functions in a constructive manner.

### III Status of Implementation of Measures Related to Shareholders and Other Stakeholder

#### 1. Measures to Revitalize the General Meeting of Shareholders and Facilitate of Exercise of Voting Rights **Updated**

	Supplementary Information
Prompt Delivery of Convocation Notice of General Meeting of Shareholders	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 the voting exercise.
Setting Date of General Meeting of Shareholders to Avoid Being Held on the Same Day as Many Other Companies	In order to more shareholders join Annual General Meeting, the date is decided to avoid concentrated days. The 20 <sup>th</sup> Annual General Meeting of Shareholders was held on Friday, December 15, 2017.
Exercise of Voting Rights by Electromagnetic Means	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 in the meeting.
Participation in Platform for Exercise of Voting Rights by Electromagnetic Means and Other Measures to Enhance Environment for Exercise of Voting Rights by 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.
Providing Convocation Notice (Summary) in English	A brief notice of English convocation is published on the corporate website.
Other	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 performance with video for a better understanding. In the second section, President explains performance and business models. Also, to convey non-financial information, our video content "IR channel" is shown on the screen at the venue. Webcast; The video and the second section webcast are uploaded on our website and our video streaming platform "FRESH!". Venue; The Company takes consideration of convenient access and holds the Shareholders Meeting at a venue close to a train station.

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### 2. Investor Relations Activities **Updated**

	Explanation by Representative	Supplementary Information
Adoption of Disclosure Policy	-	The Company's disclosure policy include basic policy, disclosing method and quiet period is posted on our website. Please refer to the following URL: <a href="https://www.cyberagent.co.jp/en/way/info/detail/id=20537">https://www.cyberagent.co.jp/en/way/info/detail/id=20537</a>
Holding Regular Meetings for Individual Investors	Yes	A briefing for shareholders is held after the shareholders' meeting where Representatives Director gives the presentation in regard to 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 Company's website. We are striving to do our best in order to ensure that you have the most in-depth and up-to-date information.
Holding Regular Meetings for Analysts and Institutional Investors	Yes	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 webcast of the results briefing sessions via our service "FRESH!" is provided for overseas investors and individual investors. 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 overseas investors. Small meetings for institutional investors attended by the president, Director and others are held more than ten times a year. In addition, we hold office tours, video studio visits and special small meetings which feature new business or services.
Holding Regular Meetings for Foreign Investors	Yes	Live webcast of results briefing session with simultaneous interpretation is provided to strive for equal information disclosure. We hold telephone or TV conference with overseas investors regularly in every quarter, and visit to foreign countries to meet investors face to face several times a year.
Posting Investor Relations Materials on the Company Web Site	—	We focus on using the Internet actively for IR activities, the Company posts results information (including Annual Reports), timely disclosure documents, presentation materials, video of results briefings, Q&A summaries, and video content, "IR Channel" on our website ( <a href="https://www.cyberagent.co.jp/ir/">https://www.cyberagent.co.jp/ir/</a> ) and its English website ( <a href="https://www.cyberagent.co.jp/en/ir/">https://www.cyberagent.co.jp/en/ir/</a> ). "IR channel" offers short videos which feature non-financial information: an interview to the Outside Director, our core business and technology etc. Also, a special material and information about our competitive advantages are provided online for new, individual investors. Of particular note, since 2014 the Company has posted the annual business report "CyberAgent Report" on a special website for easier viewing. Since 2015, it offers many video contents to provide easy-to-understand information.
Establishment of Investor Relations Department	—	Division in charge: IR&SR 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, IR&SR Division

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Other	<p>Our website has renewed in October 2017. We adopted new design and information organization and improved device compatibility. Also, a new content, “CyberAgent Way” which focuses on ESG items is released.</p> <ul style="list-style-type: none"> <li>• “CyberAgent Way” : Provide information of our unique activities from governance, compliance, programming education for elementary school kids to crowdfunding service for promoting local economy.</li> <li>• "FEATUReS"(owned media) : Introduce our services and core competences.</li> <li>• "IR channel" (Video content for investors): Provide interviews with Outside Directors and the introduction of our services by short videos.</li> <li>• Utilizing social media Timely and real-time information sharing via Facebook and Twitter</li> <li>• IR BBS Interactive communication through BBS on our IR website with individual Investors.</li> </ul>
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### 3. Measures that Consider the Interests of Stakeholders **Updated**

	Supplementary Information
Provisions Made in Consideration of Stakeholders' Interests (Internal Regulations, etc.)	In order to respect the positions of stakeholders and fulfill corporate social responsibility, the Group established “Ethical Business Guideline,” to set a basic rule which is followed by all Directors and employees based on the “CyberAgent Mission Statement.”
Promotion of Environmental Protection, Corporate Social Responsibility (CSR), and Other Activities	<p>We engage in variety of activities include “Education and Cultivation”, “Safe and Sound Online Use”, “Regional and Social Contribution”, “Sports and Cultural Support” in the context of our history which we have been active in the growing Internet industry, and utilizing the accumulated knowledge. In addition, we have placing more efforts into “Creating Work Opportunities” as we have recognized the importance in continually creating employment to contribute sustainable society.</p> <p>In particular, in terms of “Education and Cultivation”, we see the social significance of cultivating skilled young programmers and have founded CA Tech Kids Inc. a consolidated subsidiary, which provides programming lessons to elementary school students. Tomohiro Ueno, CEO of CA Tech Kids, Inc., is an active committee member of the various expert councils regarding programming education at the Ministry of Education, Culture, Sports, Science and Technology, and in April 2016, he attended the 5th “Public-Private Dialogue towards Investment for the Future” – an opinion-sharing platform for the government and representatives of the business world – and made proposals about programming education to the panel consisting of cabinet ministers and government officers including Prime Minister Abe. In February 2018, CA Tech Kids released an online programing learning service for elementary school students with Applibot, Inc, another consolidated subsidiary of CyberAgent. This service is developed by utilizing Applibot’s game design, development skill and operation capability in addition to the CA Tech Kids’s knowledge which is based on 4-year experience teaching programming to 30,000 kids.</p> <p>Also, we operate the crowdfunding platform “Makuake” through our subsidiary, Makuake, 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."</p>

Establishment of Policy Concerning Disclosure of Information to Stakeholders	<p>The Company's policy related to the provision of information to stakeholders clearly states 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 as well as information that may be useful to understand the Company, the Company strives to enable equal access by all stakeholders to such information.</p>
Other	<p><b>[Policy and actions to be a woman-friendly company]</b></p> <p>Female management ratio currently comprises 19.5% 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.</p> <p><b>*Active participation of women</b></p> <p>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.</p> <p>The Company has provided childcare assistance to employees, including systems such as reduced working hours and maternity benefits.</p> <p><b>*"macalon" package to support women</b></p> <p>The package 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.</p> <p>Additionally, 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.</p>

## IV Items Related to the Internal Control System **Updated**

### 1. A Basic Policy and Development and Operation Status Related to Internal Control System

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.

#### Notes

#### 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 managing risks at the board meeting on a regular basis.

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

We are established 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 Audit and Supervisory Committee, 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 the 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. Matters concerning requests by Director who is the Audit and Supervisory Committee member for assistance from employees.

The Audit and Supervisory Committee 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 Directors who is an Audit and Supervisory Committee member 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 Audit and Supervisory Committee.

**8. System regarding reports made to the auditing department.**

Board members, the management office and internal auditing department must report the following matters to Director who is a full-time member of the Audit and Supervisory Committee on a regular basis. A director who is a full-time member of the Audit and Supervisory Committee will then submit the report to the Audit and Supervisory Committee.

- 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.

People who make reports to the Directors who are members of the Audit and Supervisory Committee must not use the report as a reason for disadvantageous dealings.

**9. A system to ensure that the auditing of Directors who are members of the Audit and Supervisory Committee is carried out efficiently.**

The Audit and Supervisory Committee may request a hearing regarding the business matters of board members or important employees, and have other privileges including their right to exchange opinions with the CEO, Accounting Auditors and legal advisors. In addition, when Directors who are members of the Audit and Supervisory Committee request prepayments of expenses, the person in charge of the department must make deliberations and promptly deal with the request in question, unless deemed that the request is unnecessary.

**2. Basic Policy and Efforts to Eliminate Antisocial Forces**

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 cooperated 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.

**V Others**

**1. Adoption of Takeover Defense Measures**

Adoption of Takeover Defense Measures	—
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Supplementary Information
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N.A.

**2. Other Items Related to Corporate Governance System, etc. 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. Three Independent Outside Directors attend these meetings, and proactively offer opinions to supervise the management, ensuring fair decision-making regarding execution of significant business matters. In addition, the Company has adopted the Audit and Supervisory Committee system. The Audit and Supervisory Committee 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 Audit and Supervisory Committee. 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

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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.

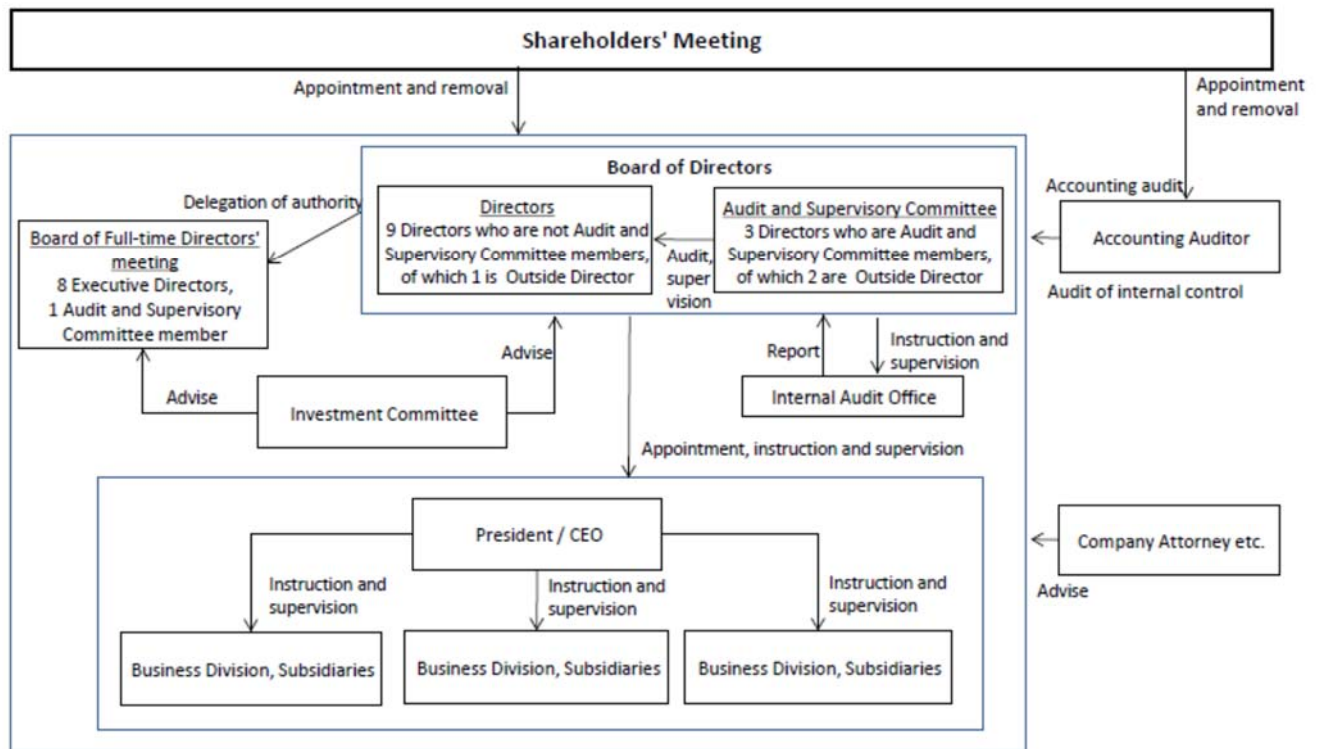
1. Person in charge of handling information and responsible department  
The person in charge of handling information for timely disclosure is the managing director. In the disclosure work process, the management headquarters and IR&SR Division create disclosure documents and execute disclosure under the direction of the person in charge of handling information. The management headquarters and IR&SR Division, 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 IR&SR Division by the person in charge of handling information, with timely disclosure made as necessary.
3. Structure for assessing material facts  
When the 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 IR&SR Division 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 experts. Where disclosure is deemed necessary, timely disclosure is made immediately.
5. Management of disclosure information  
Disclosure information is centrally managed by the person in charge of handling information.

[Chart 1] Corporate Governance Structure



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[Chart 2] Timely Disclosure system

