CORPORATE GOVERNANCE

Kakaku.com, Inc.

Last updated：June 30, 2017

(English translation of the original Japanese document 「コーポレートガバナンス報告書」released on June 30, 2017 at 15:00（GMT+9）)

# Kakaku.com, Inc.

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The status of corporate governance at Kakaku.com is as follows.

## *I. Basic Approach to Corporate Governance, Capital Structure, Corporate Attributes, and Other Basic Information*

### 1. Basic Approach

Kakaku.com, Inc. (“the Company”) recognizes that a company should strive for the co-prosperity of shareholders, customers, business partners, and employees, and by extension, of society as a whole and in so doing continuously increase corporate value. The Company’s basic approach to initiatives relating to corporate governance to achieve this is to create socially beneficial services, strengthen relationships with its various stakeholders, and reinforce the corporate governance function, which the Company considers its most important management priority. The Company’s policy is to continue to undertake any necessary revisions to increase the effectiveness of corporate governance in response to changes in the business environment or the enactment or amendment of laws and regulations.
The Company’s basic approach and policies for corporate governance have been compiled as the Kakaku.com, Inc. Basic Policy on Corporate Governance and published on the Company’s corporate website.
(http://corporate.kakaku.com/company/governance)

**[Reasons for not Implementing Principles of the Corporate Governance Code]**

The Company implements all principles of the Corporate Governance Code.

**[Disclosure in Accordance with Principles of the Corporate Governance Code]** Updated

[Supplementary Principle 1.2.4: Provision of an environment for the exercise of voting rights by electronic means including an electronic voting platform and English translations of convocation notices]
To provide an environment that facilitates the exercise of voting rights for overseas investors, the Company uses an electric voting platform. In addition, the Company promptly posts on its website English translations of financial results summaries, General Meeting of Shareholder proposals, and other timely disclosure information following resolution by the Board of Directors.

In consideration of the Company's high foreign shareholding, the Company makes available an English translation of the convocation notice beginning from the 20th Ordinary General Meeting of Shareholders and on June 2, 2017 posted an English translation on the corporate website (http://pdf.irpocket.com/C2371/iQkZ/qeEj/gTkL.pdf) and the Tokyo Stock Exchange website (http://www2.tse.or.jp/tseHpFront/JJK010030Action.do).

[Principle 1.4: Cross-shareholdings (strategic shareholdings)]
Shareholding Purpose
To realize effective corporate governance and contribute to the sustained growth of the group and enhancement of corporate value over the medium to long term, the Company may hold shares of companies it considers necessary as part of its business strategy, such as for the purpose of strengthening business alliances. Each year the Board of Directors examines major strategic shareholdings from a medium- to long-term perspective, taking into consideration associated risks and returns, and confirms the purpose and rationality of holding major strategic shareholdings in light of the results of the examination.

Exercise of Voting Rights
The Company makes decisions regarding the exercise of voting rights of strategic shareholdings from the perspective of enhancement of the corporate value of investee companies over the medium to long term.

[Principle 1.7: Related party transactions]
A resolution of the Board of Directors is required for any conflicting interest transactions except in cases where the transaction terms and conditions are similar to those of ordinary transactions. Furthermore, the Company has established a system by which transaction results of related party transactions with corporate officers or major shareholders, including conflicting interest transactions, are reported at meetings of the Board of Directors and the auditors and outside directors are able to monitor and supervise transactions.

In addition, the Company discloses transaction terms and conditions and other details in the securities report and business report.

[Principle 3.1: Enhancement of information disclosure]
(1) Management philosophy, business strategy, business plan
The Company's management philosophy, business strategy and business plan have been posted on the corporate website. (http://corporate.kakaku.com/company/policy)

(2) Basic policy on corporate governance
The Company's basic approach and policies for corporate governance have been compiled as the Kakaku.com, Inc. Basic Policy on Corporate Governance and disclosed on the corporate website. (http://corporate.kakaku.com/company/governance)

(3) Policies and procedures for determining the remuneration of senior management and directors
To ensure transparency and fairness in the Company's decision-making and strengthen governance, the Company has voluntarily established the Nomination and Remuneration Committee as an advisory body to the Board of Directors.
Policies and procedures for determining the remuneration of directors have been stated in the securities report and in Disclosed Details of Policy for Determining Amount and Calculation Method of Remuneration in Section 2.1 [Remuneration for Directors] in this report.

(4) Policies and procedures for the appointment of senior management and nomination of director and auditor candidates
To ensure transparency and fairness in the Company's decision-making and strengthen governance, the Company has voluntarily established the Nomination and Remuneration Committee as an advisory body to the Board of Directors.
The Nomination and Remuneration Committee consists of a full-time director and two independent outside directors, deliberates on and proposes criteria and methods for the selection of director candidates, deliberates on candidate selection proposals, and reports on the results of its deliberations to the Board of Directors. In light of the Committee's deliberation results, the Board of Directors makes decisions after deliberating on the accomplishments and qualifications as corporate officers of individual candidates.
The Board of Directors deliberates on, selects, and nominates auditors taking into account factors such as candidates' possession of knowledge, capabilities, and experience that enables the accurate and fair conduct of audits of directors' performance of duties.

(5) Explanations with respect to individual appointments and nominations based on (4) above
The Company discloses the rationale behind its senior management appointments and director and auditor nominations in its General Meeting of Shareholder convocation notices.

[Supplementary Principle 4.1.1: Roles and responsibilities of the Board of Directors]
The Board of Directors, as the Company's management decision-making and supervisory body, decides matters prescribed by laws and regulations and the Articles of Incorporation and important matters prescribed in the Company's Regulations for Administrative Authority. Each business division executes business in accordance with the decisions of the Board of Directors. A summary description has been stated in the securities report and in "1. Board of Directors, Section 5 Corporate Governance System" of the Kakaku.com, Inc. Basic Policy on Corporate Governance, published on the corporate website. (http://corporate.kakaku.com/company/governance)

[Supplementary Principle 4.2.1: Institution of appropriate evaluation criteria for management remuneration]
The Company has adopted a new compensation scheme, including medium- to long-term incentives for sustained growth, from fiscal 2016.
Details of new compensation scheme and its implementation are as follows.
Compensation for directors consists of basic compensation, bonuses linked to annual business results aligned with the one-year term of office, and stock option compensation granted as a medium- to long-term incentive. However, compensation for outside directors and auditors consists of basic compensation only, in view of the fact that they do not execute business themselves and their duty is to oversee and audit the executive directors' business execution.

a) Basic compensation
Basic compensation is paid in a fixed amount commensurate with title and the responsibilities and expected role of each director. (Basic compensation for auditors is determined through discussion by the Board of Auditors.)

b) Bonuses
The total amount of bonuses for officers is a fixed percentage of consolidated ordinary income (before deduction of bonuses for officers). The amount of bonus paid to each individual is an amount calculated by proportionally dividing the total amount of bonuses using points corresponding to title and grade.

c) Stock option compensation
The Company grants compensatory stock options using title and the responsibilities and expected role of each director as criteria.

d) Component ratio

At present, the component ratio of fixed compensation, bonuses linked to annual business results, and stock option compensation is approximately 7 to 1 to 2.

With regard to c) stock option compensation, the Company submitted and obtained approval for the proposal “Determination of Compensation, etc. for Directors Related to Compensatory Stock Options” at the 19th Ordinary General Meeting of Shareholders held on June 23, 2016.

The Company also obtained approval for a) basic compensation amount and b) policy on bonuses following deliberation by the Nomination and Remuneration Committee and by the Board of Directors at an extraordinary meeting held following the conclusion of the 20th Ordinary General Meeting of Shareholders held on June 21, 2017.

[Principle 4.8: Effective utilization of independent outside directors]

The Company has appointed four outside directors, three of whom are independent outside directors. The independent outside directors satisfy the criteria for independence from the Company established by the Company and the independence criteria established by the Tokyo Stock Exchange.

[Principle 4.9: Independence criteria for independent outside directors]

The Company has designated as independent directors persons who pose no risk of conflict of interest with general shareholders, taking into consideration the requirements for independent officers established by the Tokyo Stock Exchange as well as factors such as the absence of independence issues, taking into account relationships with the Company and directors, and the possession of accomplishments and knowledge in an area of expertise necessary for performance of the management oversight function.

Please refer to section “Matters relating to Independent Directors” in Section 2.1 [Independent Officers] in this report.

[Supplementary Principle: 4.11.1: Approach to the balance of knowledge, experience and skills, diversity and size of the Board of Directors as a whole]

The Company has a basic policy of maintaining a balanced, diverse composition of the Board of Directors as a whole, consisting of inside directors with professional knowledge and experience in each business line, management planning, personnel affairs, finance and accounting, development, information security, etc. and at least two outside directors capable of raising issues about the growth strategy or governance from the perspective of

diverse stakeholders. On the basis of this policy, the Company discloses reasons for the selection of directors in convocation notices, sets the term of office of directors at one year, and appoints directors by resolution of the General Meeting of Shareholders each year. The number of Board of Director members does not exceed eleven as stipulated in the Articles of Incorporation, and the Board of Directors currently consists of eleven members, one of whom is a woman.

[Supplementary Principle 4.11.2: Status of concurrent board positions at other listed companies of directors and auditors]
The holding of concurrent board positions at other listed companies of the Company's directors and auditors is limited to a reasonable extent. The status of important concurrent board positions at other listed companies of directors and auditors is disclosed each year in the General Meeting of Shareholders convocation notice, business report, and securities report.

[Supplementary Principle 4.11.3: Analysis, evaluation, and disclosure of the effectiveness of the Board of Directors as a whole]
For the purpose of maintaining and increasing the effectiveness of the Board of Directors, the Company has established a basic corporate governance policy of conducting a self-assessment of the effectiveness of the Board of Directors once a year and disclosing a summary of the self-assessment results.
In fiscal year 2016, the Company conducted a questionnaire survey on the effectiveness of the Board of Directors targeting all directors and auditors, including outside officers, and held a discussion at a Board of Directors meeting based on the tabulated results.
The analysis and assessment perspectives are as follows.
・Composition of the Board of Directors
・Effectiveness of the independent outside officers
・Proceedings and decision-making
・Oversight of risk management and the performance of duties
・Meetings and deliberation criteria
・Operation of the Secretariat
・Effectiveness of voluntary committees and cooperation with the Board of Directors
・Improvements and changes from previous assessment
As a result of the discussion, the participants concluded that deficiencies identified by the previous assessment appear to have improved and the Board of Directors continues to function effectively.
Additionally, the participants expressed constructive opinions regarding improvement of communication among independent officers and between internal and outside directors and

allotment of more time for discussion of important management issues and medium- and long-term management and growth strategies in particular. The participants also shared opinions on further improving the Board's functions and enlivening Board discussions.

[Supplementary Principle 4.14.2: Policy on training for directors and auditors]
The Company supports the execution of duties by directors and auditors by gathering and appropriately providing at executive directors meetings and other forums information on the economic situation, industry trends, legal compliance, corporate governance, financial accounting, and other matters necessary for the directors and auditors to fulfill their roles and functions.

[Supplementary Principle 5.1: Policy on constructive dialogue with shareholders]
The Company recognizes the importance of engaging in regular dialogue with shareholders to sustained growth and enhancement of corporate value over the medium to long term and promotes dialogue by the president and other members of senior management in Japan and abroad. The basic policy has been stated and disclosed in "2. Constructive Dialogue with Shareholders,
Section 2 Relationship with Shareholders" of the Kakaku.com, Inc. Basic Policy on Corporate Governance instituted by the Company.
(http://corporate.kakaku.com/company/governance)

### 2. Capital Structure

| | |
|---|---|
| Foreign Shareholding Ratio | More than 30% |

## [Status of Major Shareholders]

| Name or Designation | Number of Shares Held (Shares) | Shareholding Ratio (%) |
|---|---|---|
| Digital Garage, Inc. | 44,450,000 | 20.37 |
| DENTSU INC. | 35,016,000 | 16.05 |
| STATE STREET BANK AND TRUST COMPANY | 8,520,495 | 3.91 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 7,578,600 | 3.47 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 7,106,300 | 3.26 |
| JPMorgan Chase Bank 380055 | 6,330,167 | 2.90 |
| JPMorgan Chase Bank 385632 | 4,129,030 | 1.89 |

| | | |
|---|---|---|
| THE BANK OF NEW YORK MELLON CORPORATION 140044 | 3,457,425 | 1.58 |
| RBC IST 15 PCT NON LENDING ACCOUNT - CLIENT ACCOUNT | 2,886,000 | 1.32 |
| Japan Trustee Services Bank, Ltd. (Trust Account 5) | 2,737,100 | 1.25 |

| | |
|---|---|
| Controlling Shareholder (Except for Parent Company) | — |
| Existence of Parent Company | None |

Supplementary Explanation Updated

1. The Company holds 1,668,325 shares of treasury stock (0.76% of the total number of shares issued) as of March 31, 2017.

2. Although Reports of Possession of Large Volume with respect to the Company's shares have been issued as described below, the [Status of Major Shareholders] above is based on the shareholder registry as of March 31, 2017.

(1)
In a publicly available Report of Possession of Large Volume dated June 7, 2016, Capital Research and Management Company disclosed that it owned the number of shares specified below as of May 31, 2016. The Company was unable to verify the number of shares beneficially owned by Capital Research and Management Company as of March 31, 2017, and therefore omitted Capital Research and Management Company from the above list of major shareholders. The content of the copy of a Report of Possession of Large Volume is as follows.
[Name or designation of issuer (large volume holder) / Number of shares held / Shareholding ratio]
Capital Research and Management Company / 14,390,000 shares / 6.55%

(2) Although it is stated in a Report of Possession of Large Volume made available for public inspection on March 23, 2017 that Baillie Gifford & Co. and its joint holder Baillie Gifford Overseas Limited hold shares as described below as of March 15, 2017, since the Company was unable to confirm the number of beneficially owned shares as of March 31, 2017, they are not included in the [Status of Major Shareholders] above. The content of the Report of Possession of Large Volume is as follows.
[Name or designation of issuer (large volume holder) / Number of shares held / Shareholding ratio]

Baillie Gifford & Co. and one other company / 18,224,000 shares / 8.35%

## 3. Corporate Attributes

| | |
|---|---|
| Stock Exchange Listings and Market Classification | First Section, Tokyo Stock Exchange |
| Annual Closing of Accounts | March |
| Industry | Service industry |
| Number of Employees at the Previous Fiscal Year-End (Consolidated) | 500 or more, less than 1,000 |
| Sales in the Previous Fiscal Year (Consolidated) | More than ¥10 billion, less than ¥100 billion |
| Number of Consolidated Subsidiaries at the previous Fiscal Year End (consolidated) | Fewer than 10 |

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

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

The Company is currently an equity-method affiliate of Digital Garage, Inc. and DENTSU INC. However, the Company independently decides its business direction and executes business mainly on the basis of the business judgment of full-time directors. Also, since dependence on parent companies or other group companies for sales transactions is low, the Company has determined that sufficient independence from parent companies and other entities is ensured.

## *II Status of Business Management Organization and Other Corporate Governance Systems Relating to Business Decision-Making, Execution, and Supervision*

### 1. Matters Relating to Organizational Structure and Operation

| | |
|---|---|
| Form of Organization | Company with auditors |

### [Matters Relating to Directors]

| | |
|---|---|
| Number of Directors Stipulated in Articles of Incorporation | 11 |
| Term of Office for Directors Stipulated in Articles of Incorporation | 1 year |
| Chairman of the Board of Directors | President |
| Current Number of Directors | 11 |
| Appointment of Outside Directors | Appointed |
| Number of Outside Directors | 4 |
| Number of Outside Directors Designated as Independent Officers | 3 |

Relationship with the Company (1) Updated

| Name | Affiliation | Relationship with the Company* | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g | h | i | j | k |
| Yoshiharu Hayakawa | Certified Public Accountants | | | | | | | | | | | |
| Shiho Konno | Attorney at law | | | | | | | | | | | |
| Norihiro Kuretani | From another company | | | | | | | ○ | | | | |
| Tomoharu Kato | From another company | | | | | | | | | | | |

*Symbols indicating relationship with the Company
○ Applicable to the director now or recently
△ Applicable to the director in the past
● Applicable to a close relative of the director now or recently
▲ Applicable to a close relative of the director in the past

a. A person who executes business of the listed company or a subsidiary

b. A person who executes business or is a non-executive director of a parent company of the listed company
c. A person who executes business of a fellow subsidiary of the listed company
d. A person or entity of whom the listed company is a major customer or a person who executes business for such person or entity
e. A major customer of the listed company or a person who executes business for such customer
f. A consultant, accounting professional, or legal professional who receives large amounts of monetary compensation or other assets from the listed company other than remuneration as a corporate officer
g. A major shareholder of the listed company (in cases where the major shareholder is a corporation, a person who executes business of the corporation)
h. A person who executes business of a customer of the listed company (excluding persons to whom item d, e, or f above applies) (said individual only)
i. A person who executes business of an entity holding cross-directorships or cross-auditorships with the listed company (said individual only)
j. A person who executes business of an entity to whom the listed company makes donations (said individual only)
k. Other

Relationship with the Company (2) Updated

| Name | Independent Officer Status | Supplementary Explanation of Applicable Items |
|---|---|---|
| Yoshiharu Hayakawa | ○ | Representative, Kasumi Research Empowerment Institute<br>Outside Director, DAI-ICHI HOKI Co., Ltd.<br>Outside Director, Ryoyo Electro Corporation<br>Outside Director, Sanrio Company, Ltd. |
| Shiho Konno | ○ | Outside Director, Alfresa Holdings Corporation |
| Norihiro Kuretani | | Executive Officer, Dentsu Inc.<br>Director, cyber communications inc.<br>Director, D2C Inc.<br>Representative Director and CEO, Dentsu Digital Inc.<br>Director, Information Services International-Dentsu, Ltd.<br>Director, Dentsu Aegis Japan Inc.<br>Director, Dentsu Digital Holdings Inc. |
| Tomoharu Kato | ○ | President and Representative Director , XEBIO Co., Ltd. |

| | | |
|---|---|---|
| | | Executive Vice President, XEBIO Co., Ltd. |

Reason for Appointment

Yoshiharu Hayakawa

Mr. Yoshiharu Hayakawa has actively provided suggestions, particularly concerning governance, based on his professional knowledge as a Certified Public Accountant and extensive experience and wide-ranging knowledge as a management consultant. The Company has determined that he can be expected to continue to play an appropriate role in expansion of the Company's business and further functional enhancement of corporate governance.

Mr. Yoshiharu Hayakawa has been an outside auditor of the Company since June 2009 and an outside director of the Company since June 2012.

Shiho Konno

Ms. Shiho Konno has provided practical advice based on her specialized knowledge as an attorney and broad discernment cultivated in multiple important positions. The Company has determined that she can be expected to continue to play an appropriate role in expansion of the Company's business and further functional enhancement of corporate governance.

Norihiro Kuretani

Mr. Norihiko Kuretani is an executive officer of Dentsu, Inc., Japan's largest advertising agency. The Company has nominated him to put his extensive experience and broad discernment in digital businesses to use in expansion of the Company's business and further functional enhancement of corporate governance.

Tomoharu Kato

The Company has nominated Mr. Tomoharu Kato to put his extensive experience in diverse industries and broad discernment cultivated as a CEO to use in expansion of the Company's business and further functional enhancement of corporate governance.

| | |
|---|---|
| Existence of a Voluntary Committee Equivalent to a Nomination Committee or Remuneration Committee | Yes |

State of Establishment of Voluntary Committee, Composition of Members, Head of Committee (Committee Chair) Affiliation

| | Name of committee | All members | Full-time members | Internal directors | Outside directors | Outside experts | Others | Head of committee (committee chair) |
|---|---|---|---|---|---|---|---|---|
| Voluntary committee equivalent to a Nomination Committee | Nomination and Remuneration Committee | 3 | 0 | 1 | 2 | 0 | 0 | Inside director |
| Voluntary committee equivalent to a Remuneration Committee | Nomination and Remuneration Committee | 3 | 0 | 1 | 2 | 0 | 0 | Inside director |

Supplementary Explanation

The Company has voluntarily established the Nomination and Remuneration Committee as an advisory body to the Board of Directors.

The Nomination and Remuneration Committee consists of a full-time director and two independent outside directors, is chaired by a full-time director, deliberates on and proposes criteria and methods for the selection of director candidates, deliberates on candidate selection proposals, and reports on the results of its deliberations to the Board of Directors.

The Nomination and Remuneration Committee also deliberates on and proposes the compensation level for directors and systems relating to evaluation and compensation of directors. Compensation for directors is decided by comprehensively taking into consideration company performance, and compensation for auditors is discussed and decided by the Board of Auditors. Compensation for directors and auditors is decided within the limit resolved at the Company's General Meeting of Shareholders.

## [Matters Relating to Auditors]

| | |
|---|---|
| Existence of Board of Auditors | Yes |
| Number of Members of the Board of Auditors Stipulated in Articles of | 5 |

| | |
|---|---|
| Incorporation | |
| Current Number of Auditors | 3 |

Cooperation between Auditors, Accounting Auditor, and Internal Auditing Division
The auditors and the Internal Audit Department, the Company's internal auditing division, cooperate and strive to conduct effective audits by periodically holding meetings. The auditors and the accounting auditor aim to improve audit effectiveness and efficiency by exchanging information and opinions. Specifically, a regular meeting between the auditors and accounting auditor is held semiannually, at which opinions are exchanged concerning whether any audit-related problems exist and future tasks. The Company also has a system for holding ad hoc meetings as necessary.

| | |
|---|---|
| Appointment of Outside Auditors | Yes |
| Number of Outside Auditors | 2 |
| Number of Outside Auditors Designated as Independent Officers | 2 |

Relationship with the Company (1) Updated

| Name | Affiliation | Relationship with the Company* | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g | h | i | j | k |
| Toshio Takano | Attorney at law | | | | | | | | | | | |
| Kaori Matsuhashi | Certified Public Accountants | | | | | | | | | | | |

*Symbols indicating relationship with the Company
○ Applicable to the auditor now or recently
△ Applicable to the auditor in the past
● Applicable to a close relative of the auditor now or recently
▲ Applicable to a close relative of the auditor in the past
a. A person who executes business of the listed company or a subsidiary
b. A person who is a non-executive director or accounting advisor of the listed company or a subsidiary
c. A person who executes business or is a non-executive director of a parent company of the listed company
d. An auditor of a parent company of the listed company
e. A person who executes business of a fellow subsidiary of the listed company
f. A person or entity of whom the listed company is a major customer or a person who executes business for such person or entity
g. A major customer of the listed company or a person who executes business for such customer

h. A consultant, accounting professional, or legal professional who receives large amounts of monetary compensation or other assets from the listed company other than remuneration as a corporate officer
i. A major shareholder of the listed company (in cases where the major shareholder is a corporation, a person who executes business of the corporation)
j. A person who executes business of a customer of the listed company (excluding persons to whom item f, g, or h above applies) (said individual only)
k. A person who executes business of an entity holding cross-directorships or cross-auditorships with the listed company (said individual only)
l. A person who executes business of an entity to whom the listed company makes donations (said individual only)
m. Other

Relationship with the Company (2) Updated

| Name | Independent Officer Status | Supplementary Explanation of Applicable Items |
|---|---|---|
| Toshio Takano | ○ | Outside Director, Mori Building Investment Management Co., Ltd.<br>External Audit & Supervisory Board Member, NAGASE & CO., LTD.<br>External Auditor, Revamp Corporation<br>External Corporate Auditor, Daicel Corporation<br>Outside Audit & Supervisory Board Member, FANCL CORPORATION |
| Kaori Matsuhashi | ○ | Representative Director, Luminous Consulting<br>Principal, Matsuhashi Kaori Certified Public Accountant Office<br>Outside Corporate Auditor, NTS Holdings Co., Ltd.<br>Outside Director, Spiber Inc. |

Reason for Appointment
Toshio Takano
The Company expects that Mr. Toshio Takano's professional knowledge and experience as an attorney at law can be utilized in strengthening of the Company's auditing system.
[Reason for Appointment as an Independent Officer]
The Company has designated Outside Auditor Mr. Toshio Takano as an independent officer because he held important posts as a prosecutor and has professional knowledge as a legal professional and experience as an outside corporate officer at multiple companies and plays an important role in strengthening the Company's corporate governance and

compliance and because the Company recognizes that he has a high level of independence since he is not originally from a parent company, fellow subsidiary, major corporate shareholder, or important business partner and there is no risk of conflict of interest with general shareholders.

Kaori Matsuhashi
The Company has nominated Ms. Kaori Matsuhashi to put her specialized knowledge and experience as a Certified Public Accountant to use in strengthening the Company's audit function.
[Reason for Appointment as an Independent Officer]
Outside Auditor Ms. Kaori Matsuhashi possesses specialized knowledge as a Certified Public Accountant and broad discernment cultivated in multiple positions. The Company has nominated her because (1) she has played an important role in strengthening the Company's corporate governance and compliance; (2) she is deemed highly independent, having never been previously employed by the Company's parent company, sibling companies, major shareholders or major suppliers/customers; (3) she has no potential conflicts of interest with shareholders at large.

[Matters Relating to Independent Officers]

| | |
|---|---|
| Current Number of Independent Officers | 5 |

Other Matters Relating to Independent Officers
In selecting independent outside directors and independent outside auditors, the Company is conscious of factors such as the absence of independence issues, taking into consideration factors such as the requirements for outside directors and outside auditors in the Companies Act and relationships with the Company and directors, as well as the possession of accomplishments and knowledge in an area of expertise necessary for performance of the management oversight function.
The Company's Chairman of the Board Mr. Kaoru Hayashi was elected as a director of Monex Group, Inc. at its 12th Ordinary General Meeting of Shareholders held on June 25, 2016 and is currently serving as a director. However, since more than ten years have passed since Mr. Hayashi's involvement in the Company's business execution ended, this does not fall under a cross-directorship arrangement as stipulated by the Tokyo Stock Exchange.

## [Matters Relating to Incentives]

| | |
|---|---|
| Status of Implementation of Measures Concerning the Granting of Incentives to Directors | Performance-linked compensation system introduced, stock option system introduced |

Supplementary Explanation of Applicable Items Updated

Although the Company already grants to directors stock acquisition rights as incentive stock options in accordance with achievement of business results and the contribution of each director to business results, to further enhance the incentive function of compensation, in fiscal 2016 the Company has introduced a compensation system consisting of basic compensation, bonuses linked to annual business results aligned with the one-year term of office, and stock option compensation granted as a medium- to long-term incentive.
The Company submitted the proposal “Determination of Compensation, etc. for Directors Related to Compensatory Stock Options” concerning stock option compensation at the 19th Ordinary General Meeting of Shareholders held on June 23, 2016 and obtained approval for allotment of stock acquisition rights as compensatory stock options up to a maximum annual amount of ¥100 million in addition to the maximum monthly compensation amount for directors (excluding outside directors) of ¥30 million (resolved at the Extraordinary General Meeting of Shareholders held on May 26, 2000).

| | |
|---|---|
| Persons Eligible for Stock Options | Inside directors, employees, directors of subsidiaries, employees of subsidiaries |

Supplementary Explanation of Applicable Items Updated

To increase incentive to improve business results and secure talented personnel, the Company has issued gratis stock acquisition rights as stock options seven times. Eligible persons are the Company’s directors, excluding outside directors, the Company’s employees, and directors and employees of wholly owned subsidiaries of the Company.

## [Matters Relating to Directors’ Compensation]

| | |
|---|---|
| Status of Disclosure (of Individual Directors’ Compensation) | Individual compensation not disclosed |

Supplementary Explanation of Applicable Items

The Company pays 300 million yen to ten directors.
The total compensation consists of 231 million yen of basic compensation, 34 million yen of stock options and 34 million yen of bonuses.
The Company has no plans to disclose individual directors’ compensation.

| Existence of Policy for Determining Amount or Calculation Method of Compensation | Yes |
|---|---|

Updated

Disclosed Details of Policy for Determining Amount or Calculation Method of Compensation

(Amount of Compensation)
A resolution setting the Company's directors' compensation at a maximum of 360 million yen per fiscal year was passed at the Company's 20th Ordinary General Meeting of Shareholders on June 21, 2017.
Directors' compensation in the fiscal year ended March 31, 2017, was as follows.

Total compensation: 300 million yen for ten directors
Composition: 231 million yen of basic compensation, 34 million yen of stock options and 34 million yen of bonuses

- The above compensation includes compensation paid to one director whose term of office expired at the conclusion of the Company's 19th Ordinary General Meeting of Shareholders on June 23, 2016. Said compensation was earned during the director's term of office.
- One outside director served without compensation.

(Policy for Compensation Calculation Method)
The Company has adopted a new compensation scheme, including medium- to long-term incentives for sustained growth, from fiscal 2016.
Details of new compensation scheme and its implementation are as follows.
Compensation for directors consists of basic compensation, bonuses linked to annual business results aligned with the one-year term of office, and stock option compensation granted as a medium- to long-term incentive. However, compensation for outside directors and auditors consists of basic compensation only, in view of the fact that they do not execute business themselves and their duty is to oversee and audit the executive directors' business execution.

a) Basic compensation
Basic compensation is paid in a fixed amount commensurate with title and the responsibilities and expected role of each director.
b) Bonuses
The total amount of bonuses for officers is a fixed percentage of consolidated ordinary profit (before deduction of bonuses for officers).
The amount of bonus paid to each individual is an amount calculated by proportionally dividing the total amount of bonuses using points corresponding to title and grade.

c) Stock option compensation

The Company grants compensatory stock options using title and the responsibilities and expected role of each director as criteria.

d) Compensation ratio

At present, the component ratio of fixed compensation, bonuses linked to annual business results, and stock option compensation is approximately 7 to 1 to 2.

With regard to c) stock option compensation, the Company submitted and obtained approval for the proposal “Determination of Compensation, etc. for Directors Related to Compensatory Stock Options” at the 19th Ordinary General Meeting of Shareholders held on June 23, 2016. The Company has issued stock acquisition rights as stock options to its directors, excluding outside directors, pursuant to an August 17, 2016 resolution of its Board of Directors.

[Support System for Outside Directors (Outside Auditors)]

The Company’s Administrative Division is in charge of providing support for non-executive directors and non-executive auditors. Specifically, it is responsible for convocation notices, attendance confirmation, circulation of minutes, affixing of seals, and other matters pertaining to Board of Directors meetings. As a system for conveying information to the non-executive directors and non-executive auditors, when business requiring a Board of Directors resolution or reporting is brought before the Board of Directors, the Company has devised a method by which a prior explanation of the substance and purpose is provided individually to the non-executive directors and non-executive auditors so that exchange of views and resolution at Board of Directors meetings is possible. With regard to other matters, the Company individually reports and consults with outside officers on the basis of interviews, and when interviews are impossible, by electronic mail or telephone.

2. Matters Relating to Functions for Business Execution, Auditing and Oversight, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance Structure) Updated

The Company’s functions for management decision-making and oversight of business execution are as follows.

Board of Directors

The Company’s Board of Directors has eleven members (of whom one is a woman): six executive directors and five non-executive directors (of whom four are outside directors). The Board of Directors consists of inside directors with professional knowledge and

experience in each business line, management planning, personnel affairs, finance and accounting, development, information security, etc. and at least two outside directors capable of raising issues about the growth strategy or governance from the perspective of diverse stakeholders. In addition to monthly regular meetings, the Board of Directors flexibly holds extraordinary meetings as necessary and oversees the status of business execution. The Company has also voluntarily established the Nomination and Remuneration Committee as an advisory body to the Board of Directors to ensure transparency and fairness in the Company's decision-making and strengthen governance.

Auditors and Board of Auditors

To ensure the independence of auditors and audit effectiveness, the Company's Board of Auditors consists of one executive auditor and two non-executive auditors (outside auditors, of whom one is a woman).

The executive auditors perform a management oversight and audit function by conducting audits by attending meetings of the Board of Directors and important internal meetings, examining important approval documents, requesting business reports from consolidated subsidiaries, and other means and aim to increase the effectiveness of the Company's corporate governance. To enhance the auditors' audit function, the Company has assigned full-time staff members to assist the auditors in performing their duties.

Internal Audits

The Internal Audit Department (six staff members, including the manager) operates as an organization under the direct control of the president in order to enhance the internal audit function and conducts audits to confirm whether business execution in the group as a whole is appropriately and efficiently conducted in accordance with the annual audit plan.

Accounting Auditor

The Company has concluded an audit agreement with Deloitte Touche Tohmatsu LLC and undergoes accounting audits under the Companies Act and audits under the Financial Instruments and Exchange Law. Timely and appropriate audits are conducted as necessary. The names of the certified public accountants who performed the Company's audit work in the fiscal year ended March 31, 2016 and the composition of assistants involved in the audit work are as follows.

- Names of certified public accountants who performed the work
  Designated limited liability and engagement partners: Tatsuaki Kitachi and Kunikazu Awashima
- Composition of assistants involved in the audit work

Four certified public accounts, three assistant certified public accountants, and six other people

3. Reason for Selection of the Current Corporate Governance Structure

In light of the Company's business lines and operations, the Company has adopted a structure that emphasizes appointment of outside directors and collaboration with the Board of Auditors as a corporate governance structure to maintain management soundness and transparency while ensuring flexibility.

## *III. Status of Implementation of Measures Relating to Shareholders and Other Stakeholders*

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

| | Supplementary Explanation |
|---|---|
| Early Distribution of Shareholder Meeting Convocation Notices | The Company distributed the convocation notice for the 20th Ordinary General Meeting of Shareholders on June 5, 2017, two days earlier than the date prescribed by law. The Company posted the content of the convocation notice of the Ordinary General Meeting of Shareholders on the corporate website (http://corporate.kakaku.com/) on June 2, 2017. |
| Setting of the General Meeting of Shareholders That Avoids Dates on Which Many Shareholder Meetings Are Held | The Company plans to hold the Ordinary General Meeting of Shareholders for the fiscal year ended March 31, 2017 on June 21, 2017 |
| Exercise of Voting Rights by Electromagnetic Means | The Company introduced the exercise of voting rights by electromagnetic means at the Ordinary General Meeting of Shareholders for the fiscal year ended March 31, 2010. |
| Participation in a Platform for Electronic Exercise of Voting Rights and Other Measures to Improve the Environment for the Exercise of Voting Rights by Japanese and foreign institutional Investors | The Company has participated in a platform for electronic exercise of voting rights since the Ordinary General Meeting of Shareholders for the fiscal year ended March 31, 2010. Participation has led to an increase in the percentage of Japanese and foreign institutional investors who exercise voting rights. |
| Provision of Summary English-Language Convocation Notice | In consideration of the Company's high foreign shareholding ratio, the Company has decided to make an English translation of the convocation notice available, beginning from the 20th Ordinary General Meeting of Shareholders, and on June 2, 2017 posted a translation on the corporate website (http://pdf.irpocket.com/C2371/iQkZ/qeEj/gTkL.pdf) and the Tokyo Stock Exchange website (http://www2.tse.or.jp/tseHpFront/JJK010030Action.do). |

## 2. Status of Investor Relations Activities Updated

| | Supplementary Explanation | Explanation by Company Representatives |
|---|---|---|
| Holding of Regular Briefings for Individual Investors | The Company regularly participates in investor relations events for individual investors and other briefings organized by external organizations. | Yes |
| Holding of Regular Briefings for Analysts and Institutional Investors | The Company holds briefings when announcing the full-year results and quarterly results. | Yes |
| Holding of Regular Briefings for Overseas Investors | The Company engages in overseas investor relations activities several times a year and regularly holds briefings for overseas institutional investors by teleconference and other means | Yes |
| Posting of Investor Relations Materials on the Website | The Company posts summary financial results, investor briefing materials, and other investor relations information in both Japanese and English on the corporate website (http://corporate.kakaku.com/).<br>The Company has begun preparing an English convocation notice beginning from the 19th Ordinary General Meeting of Shareholders and posted an English convocation notice on the corporate website (http://pdf.irpocket.com/C2371/iQkZ/qeEj/gTkL.pdf). | |
| Establishment of IR related Department (person) | The Planning and IR Department is the department in charge of the Company's investor relations. | |

## 3. Status of Measures to Respect the Positions of Stakeholders

| | Supplementary Explanation |
|---|---|
| Other | The Company has declared that having good relations with stakeholders is an important corporate governance matter. |

## *IV. Matters Relating to the Internal Control System*

### 1. Basic Approach to the Internal Control System and Implementation Status

Basic Approach to the Internal Control System and Implementation Status

Basic Policy on Internal Control System Construction

The Company shall develop systems to ensure the appropriateness of the Company's operations ("internal control") as follows.

1. System for Ensuring That the Performance of Duties of Directors and Employees Complies with Laws and Regulations and the Articles of Incorporation

(1) The Company shall establish a compliance system so that directors and employees act in compliance with laws and regulations, internal rules, social norms and ethics, and other rules to realize appropriate and sound management. To inculcate compliance, the Administrative Division shall control compliance measures companywide and play a central role in the provision of education to officers and employees. The Internal Audit Department shall audit the status of compliance in cooperation with the Administrative Division. These activities shall be periodically reported to the Board of Directors and auditors.

(2) The Company shall take a resolute stance against anti-social forces that threaten social order and sound corporate activities, mounting an organizational response and taking legal measures in cooperation with external professionals, and shall have no dealings with anti-social forces. The Company shall not accede to unreasonable or unlawful demands or provide payoffs.

2. Matters Relating to the Retention and Management of Information Relating to the Performance of Duties by Directors

The directors shall record and retain information relating to the performance of their duties or the actions of employees when directors use employees to perform their duties in paper documents or magnetic media ("documents, etc."). Under document handling regulations, the directors, auditors, and Internal Audit Department may examine these documents, etc.

3. Regulations and other Systems Relating to Management of Risk of Loss

The Company shall institute regulations and guidelines and provide training concerning risks relating to compliance and information security, and the Legal Department and Information Security Department shall monitor the risk situation companywide and implement an overall response. The Board of Directors shall promptly designate directors

responsible for handling any material risks that newly arise.

4. System for Ensuring the Efficient Performance of Duties by Directors
The Company shall construct a system to realize companywide operating efficiency by which the Board of Directors sets companywide objectives shared by directors and employees, the directors in charge of operations set specific objectives for each department and determine efficient methods to achieve those objectives, including division of authority in accordance with the Company's division of authority and decision-making rules, and the Board of Directors uses information technology to regularly review the state of progress and promote improvement.

5. System for Ensuring the Propriety of Operations of the Corporate Group Consisting of the Company and Its Subsidiaries

(1) The Company shall monitor the appropriateness of the operations of group companies by dispatching officers and employees to group companies and having officers and employees of the Company serve as directors, etc. of group companies and shall establish a system that enables the identification and improvement of issues relating to the efficiency of execution of duties. The Company shall also appoint directors responsible for the businesses of group companies and grant them the authority and responsibility to construct compliance systems and risk management systems, and the Company's department in charge of managing group companies shall implement and manage these systems groupwide. The Company shall respect the management independence of group companies, receive regular reports on business details from group companies, and engage in prior consultation about important matters of group companies.

(2) The Company shall establish a system by which the Company's Internal Audit Department regularly conducts internal audits of group companies and reports the audit results to the president and representative director and auditors.

(3) The Company shall establish a system by which a violation or possible violation of a law or internal regulation that has occurred or is discovered at a group company is promptly reported to the Company's department in charge of managing group companies.

6. Matters Relating to Employees Assigned by Request of the Auditors to Assist in Their Duties and Matters Relating to Ensuring the Independence of Those Employees from the Directors and the Effectiveness of Instructions to Those Employees
Auditors may instruct employees assigned to the Internal Audit Department to carry out

matters necessary for auditing, and employees who have received instructions to carry out necessary duties may not accept instructions from directors concerning those instructions.

When the auditors have so requested, they shall exchange views with the president and representative director, and if necessary, the Company shall assign full-time audit staff members to assist with the auditors' work. The president and representative director shall exchange views with the auditors in advance and obtain the consent of the auditors for any reassignment or evaluation of audit staff members.

7. System for Reporting to the Company's Auditors by Directors and Employees and Directors, Auditors, and Employees of Subsidiaries
The Company shall establish a system for the Company's directors and employees and the directors, auditors, and employees of group companies to report to the Company's auditors as quickly as possible, either directly or indirectly using means such as an internal whistleblowing system, matters prescribed by law and matters that have a material effect on the Company and the group and the status of compliance. The Company shall decide the method of reporting (reporters, report recipients, timing of reporting, etc.) in consultation with the auditors.

8. System for Ensuring That Persons Making Reports Mentioned in the Previous Item Are not Treated Disadvantageously for Making Such Reports
The Company shall prohibit disadvantageous treatment of officers or employees of the group by reason of such persons having made reports mentioned in the previous item through the whistleblowing system or other procedures.

9. Matters Relating to the Policy for Processing Expenses or Obligations Arising from the Performance of Duties by Auditors
If an auditor has requested prepayment of expenses arising in the performance of duties, the Company shall promptly process the expenses except in cases where they are determined to be unnecessary for the auditor's performance of duties.

10. Other Systems for Ensuring That Auditing by Auditors Is Conducted Effectively
Auditors shall receive internal audit reports from the Internal Audit Department as needed and consult with the accounting auditor from time to time and shall exchange views with directors as necessary.

## 2. Basic Approach to Exclusion of Anti-social Forces and Implementation Status

1. Basic Approach to Exclusion of Anti-social Forces

The Company shall sever any relations with anti-social forces or organizations that threaten the order and safety of civil society and shall not support their activities.

2. Implementation Status of Exclusion of Anti-social Forces

・The Company has established a department in charge and mounted an organizational response to sever any relations with anti-social forces.

・The Company has built close cooperative relations with the police and external professional organizations and seeks their guidance in responding to anti-social forces.

・The department in charge gathers and manages information concerning anti-social forces and raises awareness within the Company.

## *V. Other*

### 1. Introduction of Takeover Defense Measures

| | |
|---|---|
| Introduction of Takeover Defense Measures | Not introduced |

Supplementary Explanation of Applicable Items
The Company has not introduced any particular takeover defense measures.

### 2. Other Matters Relating to the Corporate Governance Structure

The Company's main business is information provision on the Internet, and the Company handles personal information in the course of conducting business. The Company has instituted and rigorously implements personal information protection regulations, information security regulations, and other regulations for the purpose of management of confidential information.