

The following information was originally prepared and published by DeNA Co., Ltd. in Japanese as it contains timely disclosure materials to be submitted to the Tokyo Stock Exchange. This English translation is for your convenience only. To the extent there is any discrepancy between this English translation and the original Japanese version, please refer to the Japanese version.



March 13, 2017

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Notice Regarding Receipt of English Translation of Abridged Investigation Report

DeNA Co., Ltd. would like to announce the receipt of the English translation of the Abridged Investigation Report from the Third-Party Committee*, which is attached to the end of this release. The Japanese version of this document was made available on March 13, 2017.

*Please refer to the “Notice Regarding Establishment of Third-Party Committee,” dated December 15, 2016, and the “Notice Regarding Curation Platform Service: Notice Regarding Establishment of Third-Party Investigative Committee and Withdrawal of All Articles from Entire Curation Platform Service,” dated December 5, 2016.

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[Translation]

To: DeNA Co., Ltd.

Investigation Report

(Regarding the Curation Business)

Abridged Version

March 11, 2017
Third-Party Committee

Katsuya Natori, Chairman
Motoyoshi Nishikawa, Committee Member
Hisamichi Okamura, Committee Member
Mieko Okita, Committee Member

1. Introduction

The curation business operated by DeNA Co., Ltd. was found to have created and released articles that might have been in violation of the Copyright Act and the Pharmaceuticals and Medical Devices Law,¹ among others, as well as articles with inappropriate content. Therefore, by December 7, 2016, DeNA withdrew all articles on the ten (10) websites it operated (the “**Issue**”). This Third-Party Committee (the “**Committee**”) was established with the objective of investigating the factual details of the Issue and to ascertain the cause of the Issue, among others.

The names, times of service commencement, and major subject areas of the ten (10) websites operated by DeNA are as set forth in the following table:

Name	Time of Service Commencement ²	Major Subject Areas
iemo	September 2014	Housing and livelihood
MERY	September 2014	Women’s fashion
CAFY	December 2014	Food
Find Travel	February 2015	Travel
JOOY	April 2015	Men’s fashion
cuta	June 2015	Pregnancy, birth, and parenting
WELQ	October 2015	Beauty, health, and medical care
GOIN	October 2015	Automobiles
UpIn	October 2015	Insurance and investment
PUUL	October 2015	Entertainment

2. Investigation of the Content (Text and Images) of Articles in Relation to Copyright

In order to identify issues that the actual articles might have had under the Copyright Act, the Committee investigated the content (text and images) of articles that DeNA created for each of its websites.

With respect to text, the Committee extracted, out of 376,671 articles that had been released by DeNA as of November 10, 2016, sample articles in a number that was found to be reasonable from a statistical perspective; identified other articles on the Internet that the sample articles might have reproduced or adapted; and then compared the former to the latter. According to the results, the estimated percentage of articles with potential infringement of the right of reproduction or the right of adaptation ranged between 1.9% - 5.6%, and the estimated percentage of articles where the possibility of infringement could not be excluded ranged between 0.5% - 3.0%. At the same time, some of these articles might also have infringed on the right to transmit to the public, the right to integrity, or the right of attribution. However, it must be noted that it is difficult to assert that all of these articles infringed on a third party’s right(s), as there were cases where the Committee could not identify whether it was DeNA’s articles or a third party’s articles that were created first.

With respect to images, the Committee investigated a total of 4,724,571 images inserted in articles that had been released as of November 10, 2016. According to the results, there were 747,643 images that might have infringed on the reproduction right due to having reproduced other images without justifiable authorization, although this may not be the case for all of these images because, in some cases, DeNA might have obtained authorization to use the relevant images

¹ Law on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices

² With respect to iemo, MERY and Find Travel, the time at which DeNA acquired each business is provided.

individually. At the same time, some of these images might also have infringed on the right to transmit to the public or the right of attribution.

Also, articles with the following issues were found in the process of investigating sample articles: (1) articles that were suspected, based on the particularity of the degree of coincidence, to have been created by copying and pasting from other articles, although the expressions used therein are common and sustain no copyrightability; and (2) articles in which citations were not clearly stated and were thus determined to be inappropriate in terms of the methodology of citation.

3. DeNA's Curation Business

(1) Background Leading to DeNA's Entry into the Curation Business

On June 25, 2011, Mr. Isao Moriyasu ("**Mr. Moriyasu**") assumed the offices of DeNA's Representative Director, President & CEO and the Head of the Social Media Business Head Office.

DeNA achieved the best performance in its history in the fiscal year ended March 2013. However, DeNA's management members then shared a strong sense of urgency concerning the slowdown in the growth of the mobile game business, and accordingly, their hope to find a new business that would follow the mobile game business and become DeNA's core business was growing stronger. Thereafter, the business performance of DeNA for the fiscal year ended March 2014 declined; and thus, DeNA entered into the healthcare business and several other new businesses with the aim of having them become a growth engine in the mid to long-term. However, because it was expected that a considerable period of time would be necessary before those businesses started to generate stable earnings, DeNA was looking for a business from which it could expect sizable earnings in a relatively short period.

Then, Mr. Moriyasu started focusing on iemo Co., Ltd., which operates iemo, and peroli, Inc. ("**peroli**"), which operates MERY.

Upon its acquisition of iemo Co., Ltd. and peroli, DeNA appointed lawyers and conducted legal due diligence ("**Legal DD**"), and as a result, it was pointed out that some of the text of the articles might be copyright-infringing, and that some images used in the articles were copyright-infringing, with respect to both iemo and MERY. In response, DeNA made it a condition to the acquisition of iemo Co., Ltd. and peroli that the two companies would take measures to remedy the copyright infringement. Also, with respect to images used in articles, DeNA had both companies adopt a method where images from other original websites were displayed directly through links (the "**Direct Link Method**"), instead of continuing to use the method where images were displayed by storing image data on the servers managed by each company ("**Server Storage**"). On the other hand, because DeNA could not confirm any specific copyright infringement with respect to the text of articles, it did not instruct iemo Co., Ltd. or peroli to take specific measures. However, while peroli switched from displaying images in articles that had been created up to then to the Direct Link Method, it did not modify the system for displaying images in articles that were to be newly created; therefore, Server Storage was continued for newly created articles.

DeNA acquired iemo Co., Ltd. and peroli in September 2014 and entered into the curation business. In conjunction therewith, Ms. A, the founder of iemo Co., Ltd., assumed the office of executive officer for DeNA, being counted on to horizontally develop the business model of the iemo service to other subject areas, and assumed a position in charge of not only the iemo service but also the entire curation business which was to be developed horizontally by DeNA. With respect to Mr. B, the founder of peroli, a system was established in which he would concentrate on the operation of MERY and support DeNA's curation business as necessary, in accordance with his wishes. On the other hand, Mr. L, the Head of DeNA's Strategic Investment Office, who was in charge of the negotiations with the two companies in relation to the acquisition, was never involved in the curation business after the acquisition.

(2) Situation of the Horizontal Development of the Curation Business, etc.

A. Situation of the Horizontal Development of Websites

As of August 2014, DeNA devised the following strategies for the overall curation business after the acquisition of iemo Co., Ltd. and peroli: (i) first, increase the number of monthly active users (MAU) and daily active users (DAU) of the existing websites; (ii) by utilizing the know-how from the iemo and MERY services, establish websites that cover other subject areas, and develop them horizontally; (iii) build a model for generating income from advertisements through websites; and (iv) finally, cause “disruption” (which means to significantly change existing lifestyles) among the group of website users obtained. First, DeNA intended to promote strategies (i) and (ii), and Mr. Moriyasu proposed, in December 2014 at the latest, to spend a year increasing the number of websites in DeNA’s curation business to ten (10).

During the period from December 2014 to October 2015, DeNA commenced its services (namely, CAFY, JOOY, Find Travel (by acquiring Find Travel Inc. (“**Find Travel Inc.**”)), cuta, WELQ, GOIN, UpIN, and PUUL) in sequential order, and consequently, the number of websites operated by DeNA reached ten (10). The DAU of each website increased satisfactorily, and in conjunction therewith, the sales gradually increased. Therefore, in around October 2015, DeNA set the curation business as the new business that would constitute the second core business following the game business, and aimed to achieve an aggregate market value of 250 billion yen for the curation business by the end of fiscal year 2018. In order to achieve this goal, it was considered necessary to implement measures for search engine optimization (SEO) and to increase the average number of DAU for each website to one million. The goals within DeNA were set at achieving 4 million DAU solely through MERY and 10 million DAU in total through the other nine (9) websites. Ms. A, who was in charge of the entire curation business of DeNA, considered these goals to be significantly high. However, she started working with other people handling matters in the curation business to achieve the target DAU, while never having received a clear explanation from Mr. Moriyasu regarding the background of how this goal pertaining to the aggregate market value was set or other matters.

Initially, the operation of the nine (9) websites other than MERY had been handled mainly by Ms. A and Mr. Q, and from the beginning of 2015 until around the end of the same year, Mr. E, who was the Deputy Head of the Curation Service Planning Department, and Mr. C, who had expertise in SEO-related matters, engaged in matters related to the know-how of website operation. Then, from around the beginning of 2016, Mr. G, the Head of the Media Strategic Planning Department, managed website operation, and Mr. F, the Head of the Growth Hack Office, managed SEO-related matters.

B. Checking Articles for WELQ, Etc.

In April 2015, DeNA, which had been operating six (6) websites up to then, newly established four (4) websites concurrently and officially announced that it would start operating ten (10) websites in total in the near future. Mr. E and Mr. Q were in charge of this project. Mr. E and Mr. Q considered the new subject areas, concepts, and other matters pertaining to these four (4) websites, and with Mr. Moriyasu’s permission, proceeded with the preparations to start the WELQ, GOIN, UpIn, and PUUL services by August 2015.

However, per Ms. A’s instructions, from around July 2015, people responsible for business development within the Curation Service Planning Department started checks of the content of all articles prepared for release on these four (4) websites upon the commencement of service, from legal and ethical perspectives, and in consultation with the Legal Department. As the check by those individuals continued until around mid-September 2015, commencement of service for the four (4) websites took place on October 30, 2015.

C. Discussions Regarding Review by Doctors, Etc.

The WELQ team had approximately 100 trial articles, which it prepared for the commencement of the WELQ service, checked by the Legal Department. The Legal Department suggested that articles containing medical content should be reviewed by doctors or other experts because, depending on the content, there may be a risk of injury or damage to the health of users. Therefore, the WELQ team considered how it should have its articles reviewed by doctors or other experts. It was found that, if its articles were reviewed, it would be impossible to increase the number of articles because the process required for creating articles would be expanded, and also because the costs would increase more than expected. As a result of consultation with Mr. E and others, the WELQ team decided to not have its articles reviewed by doctors or other experts, due to the fact that such a process was not in line with the model of mass creating articles, and also because it did not fit in with the budget. Thus, the WELQ team decided to not release the 100 trial articles, and to commence a service mainly consisting of light healthcare-related articles that they felt did not require the review of doctors or other experts. On the other hand, with respect to articles that may include advertisements or statements regulated by the Pharmaceuticals and Medical Devices Act, the Medical Care Act, or the Health Promotion Act, among others (“**Act-Related Articles**”), the WELQ team decided to avoid the above-stated risk by establishing a manual, under which the sources of articles were to be limited to articles that had already been reviewed by doctors or other experts, and articles were to be created by expressly citing the above-mentioned reviewed articles, and by presenting the manual to those who create articles.

Following the consideration of WELQ stated above, people responsible for business development in the Curation Service Planning Department studied the method for creating Act-Related Articles, and in the beginning of October 2015, it organized a creation process therefor. In accordance with this creation process, in around October 2015, the cuta team chose 100 articles with top page views out of the Act-Related Articles that had already been released and asked hospitals/clinics having pediatricians and obstetrics and gynecology departments to have their doctors review these articles. In light of the suggestions made as a result of the review, the cuta team revised those articles that could be revised, and withdrew those that could not be revised. Other than this measure taken by cuta, articles created for the ten (10) websites operated by DeNA had never been reviewed by doctors or other experts.

(3) Measures to Achieve KPI

In DeNA, Mr. Moriyasu was the one who first developed the overarching operational policy; specifically, the DAU, sales, and other target figures in relation to the operation of the curation business. Mr. Moriyasu set the DAU by calculating backward from the target aggregate market value and informed Ms. A of the DAU that the nine (9) websites excluding MERY should achieve. Following this, Ms. A gave instructions to Mr. E and Mr. G, who assumed the office of the Director of the Media Strategic Planning Department in January 2016, and had them calculate the DAU and other figures that should be achieved by each website. Meanwhile, Mr. Moriyasu informed Mr. B of the DAU that should be achieved for MERY.

Upon setting the KPI for the curation business, Mr. Moriyasu adopted DAU through Google search as an indicator (the “**SEO DAU**”), instead of DAU through SNS. Accordingly, in the curation business, a policy was adopted to stably increase the SEO DAU by creating articles that could easily be ranked high in Google search results, based on the understanding that high-ranking articles in search results met the needs of users who were the recipients of information.

After acquiring Find Travel Inc. in February 2015, DeNA’s intention to adopt the policy of establishing a system for the mass creation of articles, as Find Travel Inc. did, became stronger. Then the Curation Service Planning Department considered which policy should be adopted in relation to the creation of articles: the policy of putting emphasis on mass creation of articles, putting aside their

quality to a certain extent (the “**Mass Creation Policy**”), or the policy of creating high-quality articles with a relatively low number of articles.

After the acquisition of iemo Co., Ltd. and peroli, the mid-term operational plan for the curation business targeted the mass creation of articles. However, until around the summer of 2015, the Mass Creation Policy had not been completely implemented across the board, due to differences in approach between each product owner (the “**PO**”) responsible for each website. Then, in around summer 2015, Ms. A and other members who were the core operation members of the curation business (the “**Board Members**” of the curation business), decided to completely implement the Mass Production Policy. Accordingly, the nine (9) websites other than MERY were required to increase their number of DAU through the mass creation of articles.

(4) Manuals Regarding the Creation of Articles

DeNA created and used manuals with diverse content for the respective websites, including how to compose an article, how to title an article, how to write an article, and items to be confirmed during editing. However, originally, these manuals were created by summarizing matters that editors considered necessary in order to create articles more efficiently, and matters that editors wanted to make clear for the process of creating articles. However, these manuals were not created under instructions from Ms. A or other Board Members.

The manuals were created for their respective websites and included legal and ethical statements that required a high degree of expertise, such as statements regarding copyrights and copying and pasting. Despite this, the Board Members did not give specific instructions on the direction or content of the manuals, nor did they examine the content of the manuals created for their respective websites. Moreover, except for PUUL, no website had their manuals reviewed by the Legal Department.

Some of the manuals created for their respective websites contained some statements that could be viewed as recommending copying and pasting. However, the Committee did not find that these statements giving the impression of recommending copying and pasting were intentionally included in the manuals under the leadership of the Board Members.

(5) Change in the Roles of the PO and Other Persons Handling Affairs for Each Website

At DeNA, a POs role was to determine the concept for the relevant website, the article creation process, the method for checking article content, and other practical operational policies. The initial POs, upon commencement of the curation business, basically checked the content of articles to be released on the relevant websites on their own. However, DeNA then adopted the Mass Creation Policy as a way to operate the curation business and required POs of the respective websites to achieve a high target number of articles; accordingly, the POs had to spend their efforts on managing the number of articles and on managing/operating the system for creating articles. Consequently, they gradually became unable to check the content of articles on their own.

When releasing articles, initially, a system had been established where editors of the respective websites checked the content of articles before release. However, as the number of articles increased, it became difficult for editors of the respective websites to confirm the appropriateness of the release of articles solely on their own. Thus, in order to create a large number of articles efficiently, some POs divided the process of creating articles, which the editors of the respective websites had handled, into the process of determining/confirming the composition of articles, the process of determining/confirming the titles of articles, and the process of checking the content of articles, and then outsourced all or some of these processes externally.

The changes in the roles of POs and editors of the respective websites were not identical for all websites, but varied depending on the website. Particularly under a PO who was strongly devoted

to the website's feel and concept, the system where the editors of that website checked the content of the articles to be released was continued, and efforts were made to maintain the feel and concept of the website; on the other hand, it seems that some POs were not very resistant to the idea of dividing and outsourcing the processes for article creation.

4. Individual Websites

(1) Introduction

DeNA set a framework for business goals and operational policies, but the actual policies and methods for creating articles on the front lines of the operation were left to the discretion of each website. Thus, each website invented various distinctive processes for creating articles, and the degree of dividing and outsourcing the article creation process differed from website to website.

The process, etc. for creating articles will be summarized below, for the case where a person from a crowdsourcing company was engaged in creating articles (the "**Crowdsourced Writer**") and a person who executed a outsourcing agreement with DeNA or a subsidiary thereof (the "**Outsourced Writer**"; collectively with the Crowdsourced Writer, the "**Writer**") created articles.

(2) Before the Writer Began Writing Articles

People handling the operations for each website operated by DeNA proposed, depending on each website, different keywords for an article, number of characters in the article, number of images to be inserted into the article, and other information to the Writers when requesting the writing of an article. There were some websites for which, from an SEO point of view, the people handling operations created **article composition plans**, including the headlines for the articles, and provided them to the Writers.

There were cases for each website where article composition plans were created by people involved in the article creation process (regardless of the article creation process, people involved in the process of creating articles for any of the websites are hereinafter referred to as "**Editors**") or by **outside composition writers**, whose duty was to create article composition plans. There were also websites that employed **outside composition directors**, who reviewed the contents of the article composition plans created by the outside composition writers.

In parallel with the creation of the article composition plans, some websites employed **outside title writers**, who created the titles of the articles, and **outside title directors**, who reviewed the suggested titles created by the outside title writers.

Keywords, article composition plans, and other information created by each website were shared with the Writers. Then, the Writers chose the keywords upon confirmation of that information and started writing the articles.

(3) After the Writer Began Writing an Article

After the Writer finished writing an article, the content of the article was reviewed. The person who reviewed the content varied from website to website: in some cases it was one of the websites' Editors; in other cases it was the **outside editing director**, whose duty was to review the content of the articles written by the Writers; and there were also cases where both an Editor of one of the websites and an outside editing director reviewed the articles.

Some websites employed an **outside proofreader** who, unlike the outside editing director, mainly corrected formatting issues, such as typographical errors.

Articles written by the Writers were posted on each website after the review process of each website (posting an article on each website is hereinafter referred to as “**Release**”). The person who decided on the Release of an article, and the person who Released the article, differed between the websites.

(4) Situation, etc. of the Article Creation System for Each Website

The situation of the article creation system for each website, including the use of outside personnel, is as stated in the Exhibit.

Among the ten (10) websites operated by DeNA, the website that most exhaustively divided and outsourced the article creation process was WELQ.

(5) Method for Checking for Copying and Pasting

The ten (10) websites operated by DeNA checked whether there was any copying and pasting when the Editor and the outside editing director reviewed the contents of an article.

However, the checking of copying and pasting was performed only by the Editor or the outside editing director placing statements they found suspicious when reading the articles into a search engine, or by using copy-paste check tools. In addition, they checked the articles only by searching articles of other websites that had the same text as those contained in the articles of each website, instead of checking all the text of each article. Through this review process for copying and pasting, it was possible to confirm whether there were any matching descriptions. However, there were no objective and explicit standards regarding the decision of whether such matching descriptions qualified as the copying and pasting prohibited by each website, and that determination was subject to the discretion of the Editor and the outside editing director. There were also some websites that conducted very limited practical review or no review of copying and pasting.

(6) Method for Using and Checking Images

a. Method for Using Images

For the ten (10) websites operated by DeNA, the methods for inserting images into the articles were determined in accordance with the systems for article creation. In these systems, the main methods for the Writer to insert images into an article were to (i) insert them by searching for the images, (ii) enter the URLs of the images, or (iii) upload the images.

The method of (i) inserting images by searching was conducted by the Writer searching for an image they wanted to use from the web service preliminarily set in the system. These web services were limited to those that each website had affiliated with for the use of images; thus, the images inserted through this method had received authorization.

The method of (ii) entering the URLs of the images was conducted by the Writer inserting images into an article by entering the URLs of the images and the URL of the website that the image was posted to into the system. In regard to this method, the websites that prohibited the use of the images were registered in the system as being blacklisted, and if the Writer tried to use images from a website registered thereas, the system would automatically restrict such use. On the other hand, using images from a website that was not registered to the blacklist was not restricted completely and was dependent on the decision of the Writer, the Editor or the outside editing director. The images inserted into an article through this method were displayed by the Direct Link Method, except for MERY.

The method of (iii) uploading the images was conducted by the Writer inserting images into an article by designating the images that the Writer possessed. In this case, the images would be displayed by Server Storage.

b. Method for Checking Images

As it was impossible to completely prevent the use of images that violated the rules provided for each website, the confirmation of whether the method of using images was in line with the rules set forth by each website was performed by a visual check by the Editor or the outside editing director. However for some websites, all images could not be checked because of the volume of images used in the articles.

(7) Issues Regarding the Method for Using Images in MERY

From the commencement of MERY's service, peroli adopted Server Storage instead of the Direct Link Method when using images from other websites by entering the URL of an image into the system. This was because, in peroli, using images from other websites by the Direct Link Method was considered to be free riding, placing a load on the other company's servers, and was thus considered to be immoral.

Afterwards, during the acquisition by DeNA, Mr. B was ordered, as a condition for the acquisition by DeNA, to take measures to remedy any copyright infringement and to switch from Server Storage to the Direct Link Method with regard to the use of images in the articles on MERY. Since the storage of an image from another website on a peroli server without authorization would violate the Copyright Act, DeNA asked peroli to change to the Direct Link Method, not only for images in the articles created before the acquisition, but also for those to be created after the acquisition. However, although peroli changed to the Direct Link Method for the images in the articles created before the acquisition, it did not take any measures for the images in articles to be newly created after the acquisition. This was due to reasons such as that if it switched to the Direct Link Method, not only would that place a load on the referred server, but it may also cause inconvenience for users, by taking longer to load MERY articles, or by displaying an image that the Writer did not intend due to a change in the image at the referred website.

In February 2015, the Legal Department of DeNA became aware of the fact that the images in the articles of MERY employed Server Storage. Following this, in January 2016, the Internal Audit Office became aware of a similar fact. However, nobody took any action concerning peroli's Server Storage of images in response. In September 2016, peroli's Server Storage of images became a problem again, and this time it was reported to Mr. Moriyasu as well. This was the first time Mr. Moriyasu became aware of peroli's Server Storage of images.

(8) Complaints Against the Articles

DeNA received various complaints from users regarding the articles on each website. Amongst them, 112 complaints stated that text was quoted from the original articles without legitimate authorization, 874 complaints pointed out that images were quoted from the original articles without legitimate authorization, and 91 complaints contained concerns related to medical information. DeNA promptly responded to the complaints of text or images quoted from the original articles without legitimate authorization by correcting text or deleting images, or by withdrawing the articles.

5. Status of DeNA's Other Businesses

In the game business, personnel were acquired in accordance with the development of the game market, and various types of training based on past compliance violations proceeded in cooperation with the corporate divisions, such as the Human Resources Department and the Legal

Department. As a result, the Committee acknowledges that a relatively high awareness has developed, generally, for legal compliance and morality.

Further, in the healthcare business, the sensitivity regarding legal compliance is high, and the Committee acknowledges that the consideration of legal risks was conducted sufficiently in the business process, in thorough cooperation with the corporate divisions such as the Legal Department.

6. Check Functions for the Curation Business

(1) Legal Department

When DeNA simultaneously established the four (4) websites, WELQ, GOIN, UpIn, and PUUL, the Legal Department identified the legal risks specific to each website upon the request of the Curation Service Planning Department and reported the results thereto.

The Legal Department did not exhaustively review the contents of the manuals created by each website, except in the case of PUUL. However, when receiving inquiries regarding the issues of creating articles from people handling each website, it provided answers thereto.

Among the complaints made by the users of each website, the Legal Department was engaged in responding to the complaints with high importance. The Legal Department gave advice on creating a template response for complaints, and the content thereof was conscious that DeNA would be exempted from legal liabilities pursuant to the Provider Liability Limitation Act,³ by indicating that the website operated by DeNA was a platform open for public users to create and post articles. The Legal Department sometimes recommended a response using the template, even for complaints against articles for which DeNA had been involved in the creation process.

(2) Business Development & Management Department

The Curation Service Planning Department had people working on business development, who were in charge of the communication between relevant departments regarding the problems occurring in the operation of the curation business. In March 2016, the Business Development & Management Department was established in order to handle the corporate functions for the curation business.

Neither the people working on business development nor the Business Development & Management Department were involved in the creation or amendment of the manuals for each website.

The people working on business development and the Business Development & Management Department were involved in responding to complaints that were difficult to respond to among those received from the users of each website. They also received a monthly report on the number and content of the complaints each month from the Customer Service Department (the “CS”), the department that responded to complaints. However, the people working on business development and the Business Development & Management Department rarely reported the contents of the complaints to Ms. A or other Board Members.

(3) Internal Audit Office

The Internal Audit Office conducted an internal audit of iemo Co., Ltd., peroli, Find Travel Inc., and the Curation Service Planning Department from January to March of 2016. In the audit, the

³ Act on the Limitation of Liability for Damages of Specified Telecommunications Service Providers and the Right to Demand Disclosure of Identification Information of the Senders

Internal Audit Office confirmed whether the images used in the articles had authorization for use. For a part of the services affiliated with peroli and Find Travel Inc., no record of the acquisition of authorization for use could be found for the use of images being used in articles. Written statements were submitted by both companies indicating that they would appropriately respond; however, the Internal Audit Office did not conduct a follow-up audit to see whether both companies had responded appropriately.

The Internal Audit Office was also in charge of the internal whistleblowing desk located in the office. However, because it never received a whistleblowing report regarding the potential problems of the curation business, it did not become aware of the potential legal risks through the internal whistleblowing system.

(4) Monitoring by the Directors and the Company Auditors

At DeNA, a discussion regarding the curation business sometimes took place at the board of directors meeting held at least once every month. However, the board of directors never received any report of, nor requested any report of, how business was being conducted or the business risks, such as copyright infringement, after the acquisition of iemo Co., Ltd. and peroli. There are also no records of any discussions being held.

The Company Auditors received reports that the curation business was on track after the acquisition of iemo, peroli, and Find Travel Inc. and only received reports via the internal audit report. They did not receive any further reports regarding the business risks and problems.

Several business audits had been conducted by the Company Auditors since January 2015 for iemo Co., Ltd., peroli, and Find Travel Inc.; however, there is no indication that any particular problem was pointed out.

7. Facts Found and Evaluated by the Committee

(1) Regarding the Acquisition by DeNA of iemo Co., Ltd., peroli, and Find Travel Inc., Was There any Problem with the Acquisition Price or Acquisition Process?

The Committee opines that there were no particular problems regarding the acquisition of iemo Co., Ltd., peroli, and Find Travel Inc.

First, the respective acquisition prices of iemo Co., Ltd., peroli, and Find Travel Inc. were determined through negotiations between DeNA and the respective parties thereto; further, it was confirmed that they were within the proper range based on expert opinions, and necessary resolutions therefor were made within DeNA, including resolutions at board of directors meetings. Therefore, the Committee finds that there were no particular problems with these acquisition prices.

Second, regarding the acquisition process for each transaction, DeNA had followed necessary procedures, including its decision to proceed with the respective acquisitions on the condition that certain countermeasures be taken against risks under the Copyright Act discovered during the Legal DD. Thus, the Committee finds that there were no particular problems, such as disregarding the matters pointed out during the Legal DD in order to proceed with the acquisition.

(2) Which Position Does the Curation Business Conducted by DeNA Take: a Platform Provider or a Media Outlet?

Each of the ten (10) websites operated by DeNA had a function enabling general users to post articles; accordingly, DeNA was undoubtedly in a platform provider's position in one sense. However, the percentage of articles posted by general users against the total number of articles was approximately 14.5% for MERY, approximately 10% for Find Travel, and not more than 5% for the

other eight (8) websites. Regarding the articles not posted by general users, DeNA was involved in the process of creating them in various forms as the operating body of each website; thus, in this respect, DeNA's curation business can be recognized as a media outlet, not as a platform provider.

As such, DeNA's curation business actually had functions both a platform provider and as a media outlet. Nevertheless, DeNA responded to inquiries with the CS or applied the Provider Liability Limitation Act as if it was a platform provider, which must be said to be inappropriate.

(3) Unit Price of Articles Claimed to Be Unduly Low

A. Unit Price of Articles

External news media claimed that the fees paid by DeNA to crowdsourced workers such as the Crowdsourced Writers were unduly low.

However, the Committee opines that the fees offered by DeNA were not unduly low compared with those offered by crowdsourcing companies when recruiting persons engaged in article writing in light of the following facts: (i) the level of fees for the article-writing services offered by cloud sourcing companies ranges widely; (ii) DeNA expressly indicated the fees payable when recruiting Crowdsourced Writers through crowdsourcing companies; (iii) the Crowdsourced Writers selected, at their own initiative, the service for DeNA from among the services offered by crowdsourcing companies and accepted the orders, and are thus considered to have undertaken the service by agreeing to the fees offered by DeNA; and further, (iv) DeNA actually attracted many Crowdsourced Writers through crowdsourcing companies.

B. Impact on Inappropriateness of Articles

In connection with the above, it was also claimed that the level of fees payable to the Crowdsourced Writers was a possible cause of the creation of inappropriate articles.

Among the Crowdsourced Writers, a substantial number of them found value in making available information through article-writing services and receiving fees therefrom. However, some felt it was unprofitable unless they worked hard to write a large amount of articles in a short period. As such, the Committee thinks that it is not necessarily easy to provide a decisive view in response to such allegations, but it cannot exclude the possibility that this might partly have contributed to the writing of some of the inappropriate articles, such as those containing copied-and-pasted portions.

(4) Regarding the Curation Business Conducted by DeNA, Was There any Problem under the Copyright Act, the Pharmaceuticals and Medical Devices Act, or Other Laws, or any Ethical Problems?

A. Articles with Content Violating Laws Were Created and Released

As stated in 2 above, as a result of this investigation, some articles likely to violate the Copyright Act were discovered from among the articles released on the ten (10) websites operated by DeNA.

Also, upon investigating 19 articles listed on the "WELQ" website for potential violations of the Pharmaceuticals and Medical Devices Act, the Medical Care Act, or the Health Promotion Act, eight (8) articles were found to contain content likely to violate the Pharmaceuticals and Medical Devices Act, one (1) article was found to contain content likely to violate the Medical Care Act, and one (1) article was found to contain content likely to violate the Health Promotion Act.

Amongst the articles listed on the WELQ website, some articles were found to be ethically problematic in that: (i) affiliate advertisements in some articles containing sensitive topics were

inappropriately displayed; (ii) some articles contained medical content that did not have sufficient consideration for readers; (iii) some medical articles treated topics in which doctors have differing views without due care.

The Committee evaluated the circumstances leading to the creation and release of articles containing content violating relevant laws, as follows.

B. Content of Manuals Was Inappropriate

DeNA had created various manuals for the ten (10) websites so that outsiders involved in the article creation process could efficiently perform their duties. Such manuals for outsiders naturally should act as a cornerstone for the performance of their duties. And in light of the fact that the curation business operated by DeNA by nature always entailed the risk of copyright infringement, resulting in a violation of the Copyright Act, it was necessary for DeNA to create manuals for outsiders at least after consulting with legal experts familiar with the Copyright Act, and state in the manual that if any person involved in the article creation could not determine whether an article violated the Copyright Act, that they must consult with the Legal Department before moving forward.

Nevertheless, manuals for some websites contained statements that might be considered as advising how to use articles from other websites without authorization and recommending copying and pasting in a way that makes it difficult to identify the articles used as references in order to avoid allegations of copyright infringement. Not only this, the manuals handling Act-Related Articles contained inappropriate statements based on misunderstandings of the Pharmaceuticals and Medical Devices Act. Therefore, the Committee must say that the manuals for each website contained inadequate or inappropriate content and cannot deny the possibility that this might have invited misunderstandings by outsiders involved in the article creation process, induced the creation of articles without a full understanding of the Copyright Act or the Pharmaceuticals and Medical Devices Act, and led to the creation and release of the articles containing content violating relevant laws.

Furthermore, this investigation discovered that a large number of not only Editors for each website, but also the former POs, had extremely inadequate knowledge about the Copyright Act and the Provider Liability Limitation Act, which are deemed essential laws for the curation business. It is clear that this partly contributed to the creation of manuals containing inappropriate content.

C. Image Insertion Rules and System Architecture Were Inadequate

Regarding images, the manuals expressly indicated the scope of images not allowed to be inserted, either by using a whitelist method that showed a list of the images allowed to be inserted and stated that no other images were allowed to be inserted, or by using a blacklist method that specifically listed the images not allowed to be inserted; accordingly, it can be said that some measures had been taken so that the insertion of an image would not result in copyright infringement.

However, the blacklist method adopted by the ten (10) websites operated by DeNA did not uniformly restrict the insertion of images from websites that were not registered on the blacklist, and the use of such images was left to the discretion of the Writers, Editors or outside editing directors. Furthermore, the system regarding the creation and posting of articles used by each website was not able to prevent the insertion of images from websites not registered on the blacklist.

On the other hand, while the websites MERY, GOIN and PUUL adopted the whitelist method, they could not systematically prevent the insertion of images from websites not registered on the whitelist, except for the MERY website in and after September 2016; as such, it was actually possible to insert images from websites not registered on the whitelist.

As stated above, the Committee cannot deny the possibility that inadequate image insertion rules for each website and inadequate system architecture partly contributed to the creation and release of articles using images without authorization.

D. Ineffective Check System

The Committee must say that while the manuals for each website contained inappropriate content, the manuals on the whole were not inappropriate, and indeed some portions stipulated appropriate rules for creating articles. However, the outsourcing of the article creation process cannot be realized solely by making manuals. Even if DeNA had prepared precise and appropriate manuals, if any outsider involved in the article creation process performs their duties without observing the rules in the manual, the creation of problematic articles would not be prevented. Therefore, as long as DeNA outsources the article creation process, developing and operating a check system to constantly monitor whether outsiders appropriately perform their duties in accordance with the manuals is decisively important.

The respective operators of the ten (10) websites operated by DeNA directed the Editors of each team or outside editing directors to check the content of the articles, the writing of which was outsourced to outsiders; however, the Committee must say that the system developed by the ten (10) websites for checking the content of articles was extremely vulnerable and inadequate. There is no doubt that this partly contributed to the creation and release of articles containing content violating relevant laws.

(a) Shortage of Human Resources

In the ten (10) websites operated by DeNA, the number of Editors for each website was low compared with the number of articles created; thus, it was physically difficult for Editors alone to appropriately check the content of articles. Despite this, DeNA did not increase the number of Editors, which resulted in the duties of Editors, including checking the content of articles, being outsourced, or an inadequate check system being developed.

That shortage of human resources partly contributed to an extremely inadequate supervision and guidance system for outside composition directors, outside title directors, and outside editing directors (hereinafter collectively, “**Outside Directors**”).

(b) System for Monitoring and Guiding Outside Directors Was Inadequately Developed or Operated

DeNA recruited many Writers for the ten (10) websites operated by it (in this paragraph, also including interns for the MERY website) to write articles and took into consideration the possibility that their writing skills might substantially differ. Therefore, when directing many Writers to write articles, it is necessary for Editors and Outside Directors to fully check the content of articles to confirm whether the articles written by such Writers do not violate relevant laws or contain inappropriate content, and to provide careful guidance to each Writer depending on their writing skills.

Furthermore, Outside Directors were also outsiders, and it was anticipated that their abilities could vary. As such, the operators of the respective websites utilizing Outside Directors should have appropriately provided instructions and guidance at an appropriate time to the Outside Directors so that they could provide appropriate guidance to Writers, not only relying on the manuals but also through training, education or daily communications. Also, the operators should have developed a system that could constantly monitor whether Outside Directors appropriately performed their duties in accordance with the rules established by each team or instructions by Editors, and be able to immediately rectify any inappropriateness, if discovered.

Nevertheless, for the ten (10) websites, the system for monitoring and guiding Outside Directors was inadequately developed and operated.

(c) System for Copy and Paste Checks Was Extremely Inadequate

There was no website out of the ten (10) operated by DeNA where Editors conducted a copy-paste check for all articles. Also, the selection of articles subject to a copy-paste check, the method of the copy-paste check, and the final decision on whether an article was copied and pasted, were left to the subjective view of Editors and outside editing directors.

In the meantime, regarding images, the insertion of images from websites not registered on the blacklist could not be blocked for system reasons; as such, Editors and outside editing directors had to confirm the source of each individual image manually.

As stated above, for the ten (10) websites operated by DeNA, when checking for any copying and pasting and unauthorized uses of images, all the steps, from the selection of subject articles, the checking method, up to the decision on whether something falls under copying and pasting or an unauthorized use of images, were left to the subjective view or discretion of Editors and outside editing directors in charge of the check. Further, no system was developed to ensure the accuracy of the check.

As a result, the Committee cannot deny the possibility that this led to the creation and release of articles found to be in violation of the Copyright Act.

(d) Measures to Ensure the Accuracy of the Content of Articles Were not Taken

For Act-Related Articles, the accuracy of content or legal compliance should be fully ensured, and for that purpose, supervision and confirmation by persons with expert knowledge are indispensable. However, on the websites operated by DeNA, the content of these articles were checked by Editors or outside editing directors who did not have expert knowledge about medical services or the effects or efficacy of pharmaceuticals.

DeNA was aware that, for some websites, the review of articles by doctors was essential in order to ensure the accuracy of content or the legal compliance thereof. However, the introduction of review by doctors or other experts was postponed because it did not work well with the Mass Creation Policy and be prohibitively expensive. Specific discussions about introducing such a review only started around September 2016. If focusing on this aspect, the accusation that DeNA prioritized profit over the accuracy of articles is unavoidable.

Also, on the WELQ website, while the operators required Writers to refer only to the articles that had already been reviewed by doctors or other experts when creating Act-Related Articles, the manuals to which Writers referred prohibited them from citing the articles they referred to in their original form. Thus, the Committee cannot deny the possibility that, due to this inconsistency, Writers without expert knowledge of medical services failed to accurately cite the articles to which they referred and inappropriately reworded them, resulting in the creation and release of articles containing inaccurate content.

As stated above, the content of the Act-Related Articles was not checked by persons with expert knowledge, and measures to ensure the accuracy or legal compliance of the content of the articles were not fully taken. It is clear that this led to the creation and release of articles containing incorrect content from a medical perspective and articles likely to violate the Pharmaceuticals and Medical Devices Act.

E. Peroli Continued the Server Storage of Images Immediately after its Acquisition by DeNA

Upon its acquisition by DeNA, peroli was requested by DeNA to switch to the Direct Link Method for the display method of images in the articles listed on the MERY; nevertheless, peroli did not take measures regarding images in the articles to be created after the acquisition, and continued the Server Storage of images in the articles created after the acquisition.

Mr. B, who was the party to the negotiations for the acquisition by DeNA, should have taken necessary measures to display images in the articles to be created after the acquisition using the Direct Link Method. The Committee must say that peroli's Server Storage of images in the articles created after the acquisition was extremely inappropriate.

In the meantime, this investigation did not find any evidence that after the acquisition of peroli, DeNA had monitored peroli's insertion of images or provided guidance to peroli. Also, despite DeNA's Legal Department becoming aware in February 2015 that peroli displayed images in the articles created after the acquisition using Server Storage, DeNA did not direct peroli to immediately switch the display method of images; as a result, even thereafter, MERY continued to display images not authorized for Server Storage use.

As stated above, the Committee must say that DeNA's monitoring of peroli was inadequate and cannot deny the possibility that this partly contributed to peroli's failure to rectify the Server Storage of images.

8. Analysis of the Causes and Background

(1) There was No Exhaustive Analysis of or Discussion of the Curation Business, nor were the Business Risks Properly Recognized when DeNA Entered into that Business by Acquiring iemo Co., Ltd. and peroli

The Committee considers that the basic cause of the Issue was that DeNA entered into the curation business without sufficiently exhausting the following before it entered into that business: (i) business analysis or recognition of potential risks; (ii) discussions on how it would develop the curation business; (iii) recognition of the realized risks associated with how the business developed; or (iv) discussions on measures to avoid or reduce the risks, or on the impact of such measures on the business, or clear recognition of the above.

A. DeNA's Understanding of the Curation Business

Primarily, a person engaged in curation is referred to as a curator. A curator is, in the original sense, a term that refers to a specialist who collects materials based on his or her specialized academic knowledge at a museum, art museum, library, or other academic facility.

On the other hand, the term "curation" has recently started being used in the Internet industry. Its meaning is to "summarize content on the Internet by a certain theme or from a certain perspective to facilitate easy reading, and to edit, share, and release the product." In this regard, the original meaning of curation (i.e., "to collect materials based on specialized academic knowledge") is reduced, and the main focus is on "summarizing" existing information on behalf of busy readers for their easy understanding in an Internet-oriented society immersed with information.

The term "curation" as used in modern society is multivocal, and there are a variety of business models that may spring to mind from the term "curation business." In fact, the interviews conducted by the Committee revealed that the concept of the curation business as conceived by the interviewees varied by person. The curation business as operated by DeNA was based on a business model where the recipients of the service (readers) differed from those paying into the service

(advertisers). Therefore, that service intrinsically entailed a structural dilemma of whether the service provider (DeNA) should look toward the readers or advertisers in engaging in its work.

For these reasons, DeNA should have at least formed a common understanding of the curation business internally before entering into the curation business. Without a common understanding of the basic “form” of the business, i.e., “what the curation business is all about”, there would not have been meaningful discussions on what kind of curation business DeNA should aspire to create, or meaningful analysis of countermeasures against the barriers to achieving, or the risks required to be taken to achieve, the same. However, to the Committee’s best knowledge, no evidence has been found to suggest that DeNA internally had fundamental discussions at least on the basic “form” of the business as stated above. The Committee has the impression that DeNA headed into the curation business without any clear answer to the question of “what the curation business is all about.”

B. What DeNA Intended to Achieve with the Curation Business

DeNA entered into the curation business by acquiring iemo Co., Ltd. and peroli. However, when it entered into the business, DeNA does not appear to have had a concrete idea of “what values would be presented to the users through the iemo and MERY services” unlike Ms. A, the founder of iemo Co., Ltd., and Mr. B, the founder of peroli.

iemo was a service created to target the areas of “housing” and “livelihood,” based on the concept of information sharing between the people who live in a house and those who create relevant products, and to also contribute to the generation of new business therefrom. MERY is a service targeting the area of young women’s fashion, aimed at helping young women make their lives “cuter,” including having female university students disseminate information on their lives, and connecting fashion industry, hair and nail salon business operators and general users (readers) through the posting of sponsored articles from such business operators. Each of these services is considered to have at least had a clear idea, to a certain extent, of “to whom and what values it desired to provide,” with its own understanding of “curation.” Each of them is considered to have aimed to offer value by connecting general users and professionals, specifically (i) having general users disseminate their information and share it with other users, and discover new value, and (ii) coordinating the dissemination of information by professionals in its target area.

After the acquisition of the iemo and MERY services, DeNA firstly planned to expand the subject areas of the websites by horizontally expanding these services. However, it does not appear to have had its own understanding or idea regarding “curation” as iemo and MERY had. The Committee has the impression that DeNA simply expanded its target areas without an idea of “to whom and what values it desired to provide” or “what value DeNA, unique from all others, can provide.”

C. What was the Curation Business Actually Operated by DeNA

DeNA did not exhaustively analyze or discuss the new business, the curation business, nor did it have any clear idea of the ideal direction for its curation business. DeNA entered into the curation business solely focusing on profitability, with an extremely vague and unclear idea of what the curation business was all about, the type of curation business it aimed to develop, or what it desired to do by operating the curation business. As a result, DeNA’s understanding of and philosophy for its business model remained ambiguous; i.e., whether the curation business that it actually developed was:

- > Simply an aggregation website;
- > A site where laypersons disseminated their own information, or a business that simply provided a place for such activity;
- > DeNA itself would also become a disseminator of information; or
- > What information DeNA desired to disseminate and for what purpose.

Such ambiguities are considered to have caused the inadequacy of the risk recognition and analysis, interpretation of applicable laws and regulations, and examination of the risk avoidance and reduction measures. They appear to have resulted in the absence of an established value standard that would serve to cast doubt on whether the business would be advantageous or disadvantageous from a profitability perspective (as partial optimization) at the time of decision-making in different phases of business execution. They are also considered to have resulted in the insufficiency in the impact analysis of the feasibility of the curation business as a whole, as well as long-term profitability. As a result, DeNA presumably became incapable of fully pursuing and completing the analysis of whether the curation business was worth entering into at the cost of taking certain risks, or the analysis of the extent to which DeNA's brand equity would be damaged, and the adverse effects on other businesses if risks were realized.

D. Reasons why DeNA Decided to Enter into the Curation Business without Properly Recognizing the Business Risks

DeNA's frustration is considered to have been at the center of the circumstances that led to the aforementioned situation, as follows: (i) in the dramatic changes in the Internet industry, DeNA strongly aspired to prompt decision-making and business execution; and (ii) DeNA's growth model, mainly composed of its game business, was in decline, and it was faced with the need to find a new growth engine. All those who were involved in the curation business should recall and reflect on each and every one of their activities to date, and each individually reflect on all of the causes and background of the Issue.

(2) Preventive Measures against the Potential Risks of the Curation Business were not Sufficiently Taken during the Commencement Phase thereof after Acquiring iemo Co., Ltd. and peroli

A. There was No Sufficient Opportunity to Form a Shared Understanding of the Required Compliance Awareness among the Persons Involved in the Curation Business

DeNA has reviewed its compliance system throughout the process of growing from a start-up company into its current state as a first-section-listed company. Considering DeNA as a whole, the Committee has the impression that the company has a relatively high level of compliance awareness.

However, its curation business was a business commenced by acquiring outside start-up companies, such as iemo Co., Ltd. and peroli; i.e., businesses started by those that did not have, so to speak, "DeNA's DNA." Compared with DeNA, iemo Co., Ltd. and peroli were small-sized companies that had been in operation for only a short period of time since their founding. They did not have a well-established legal affairs or compliance division, nor could they necessarily be said to have had high compliance awareness.

At the opportunity of acquiring iemo Co., Ltd. and peroli, DeNA should have raised the compliance awareness of iemo Co., Ltd.'s and peroli's officers and employees to the same level as those of DeNA, and should have taken measures therefor. However, as observed by the Committee, such measures are not considered to have been sufficiently taken. Rather, DeNA is considered to have held back, not proactively addressing iemo Co., Ltd.'s and peroli's compliance awareness, and instead aimed to spread iemo Co., Ltd.'s and peroli's start-up mindset into DeNA, which had been suffering from big company disease.

B. There was No Sufficient Personnel or Organizational System for Minimizing Presumed Business Risks

It was decided that the curation business would be operated with Ms. A, who assumed the office of executive officer, and Mr. B, who would be in charge of MERY. Both would operate under

Mr. Moriyasu, who was the director in charge of the business. Taking into consideration that the curation business was a new business for DeNA, maintaining Ms. A and Mr. B as the heads of these businesses with the expectation that they would lead the growth and promotion of the business is, in itself, understandable. However, given that the curation business, by nature, involved potential risks of infringing third party rights, and it was in fact pointed out that some such risks had been already realized during the Legal DD at the time of acquiring iemo Co., Ltd. and peroli, DeNA should have considered that neither Ms. A nor Mr. B were sufficiently sensitive to such risks, and should have taken appropriate measures. Specifically, it should have appointed persons capable of strongly guiding and supervising Ms. A and Mr. B from a compliance perspective, or developed a system for implementing strong checks-and-balances by other organizations of DeNA.

(3) Insufficiency in Checks and Countermeasures against Risks of the Curation Business in Expanding said Business also Led to Eventuation of Risks, and Delayed Discovery of the Issue

There is no doubt that the lack of sufficient precautionary measures against potential risks in the phase of commencing the curation business was one of the causes of the Issue. On the other hand, in the new business commencement phase, it is also understandable that importance is placed on advancing the business in a speedy manner in the interim. One option to address these potential risks may be to “think while running” after launching the business. However, it is also true that subsequently taking risk countermeasures for a business that has already commenced operations may be perceived to discourage the growth of the business, and it may be difficult for those countermeasures to be successful. In order to cause the risk countermeasures to take root despite the headwind, it must be recognized that greater energy and costs will be necessary.

A. Issue of the Targeted Goals and Evaluation Criteria

In the curation business, the number of articles to be created and DAU were set as KPI for each website, and business value and operating profit were set as goals for the entire curation business.

Establishing a growth index, such as DAU, as a KPI for use as an efficient management control method is not in itself an issue. That being said, considering that the substance of DeNA’s curation business was the operation of media outlets, a focus should also have been placed on the value and the like provided by the curation business to the service recipients, and setting an index for evaluating and examining such value and the like should also have been considered, instead of setting only the growth potential as an index.

What content is considered “high-quality content” is a difficult question to answer. For this reason, it is understandable that service providers place importance on quantitative indices, such as DAU in the case of DeNA’s website articles, or audience ratings in the case of a television program, on the assumption that “content viewed by a large number of persons must be high-quality content.” However, content viewed by a large number of persons does not necessarily provide high satisfaction to the service recipients at all times. From the service recipients’ point of view, the greatest importance should be placed on the content of an article itself, such as whether it suits their curiosity or interest, whether it brings about a new insight or a pleasant after-reading impression, and, as a matter of course, whether its content is accurate, instead of whether it is read by a large number of persons. Forgetting this and pursuing only an index of growth potential does not result in acquiring true fans who have attachment to that article or website, even if it may successfully create in the interim an article or website viewed by a large number of persons.

Meanwhile, DeNA should have considered setting, in addition to the growth potential index, an index of a different criterion not only from the service recipients’ perspective, but also from the service providers’ perspective. Many of the service providers involved in the Issue were Writers, including some who did not necessarily desire that the articles they created be viewed by as many persons as possible, but rather desired to provide to the public only articles that they were satisfied

with themselves because they truly want to disseminate such articles. Imposing only the goal of growth potential on Writers who had such a particular inclination may have made it difficult to maintain their motivation for creating articles. In fact, there were quite a few Writers for DeNA's curation business who had trouble maintaining motivation for creating articles in a situation where they were required to strictly deliver their assigned number of articles and observe the deadlines therefor. Paying attention to the feedback of those Writers would likely have led to reducing the risk of improper conduct in operating the curation business.

B. Issue of Selecting Target Subject Areas

DeNA's curation business taking on the characteristics of a media outlet meant that DeNA was required to have legal and social responsibility for the content of its articles. In such case, in selecting a new target subject area, DeNA should have carefully examined the prospective area in light of whether it would be able to assume ultimate responsibility for the content of articles.

If pursuing only business growth potential, in selecting a target area, importance would be placed on the number of users expected in the prospective area, or to what extent the SEO measures would be effective in the prospective area. However, if legal and social responsibility for the content of articles is taken into account, there are some areas where it is difficult for the business to be feasible from an ethical or cost-effectiveness perspective, no matter how many users may be expected in a short period of time.

Similarly, DeNA should have been careful in handling the "areas that require a high level of expertise in creating articles" or "areas where users are highly sensitive about the accuracy of information." For example, the medical and health areas handled by WELQ required a high level of expertise. Thus, the accuracy and propriety of information above anything else was required, and a suitable amount of costs should have been invested to procure the same. It is not even remotely permissible to avoid such costs and efforts at the expense of the accuracy and propriety of information, WELQ is considered to have been the worst example of prioritizing profitability (i.e., the rationale that a large number of users could be expected) and single-mindedly pursuing DAU at the expense of leaving the accuracy and propriety of information behind.

Had DeNA been more risk-sensitive in selecting target subject areas, the Issue might not have reached the point it is at now.

C. Insufficiency of Other Sections' Check Functions for the Curation Business

While the curation business operated by DeNA had a platform function that remained in part in the course of expanding the target areas, it was, in substance, taking on the characteristics of a media outlet. However, when claims of unauthorized use of images or text were brought to the Curation Service Planning Department or CS, the Legal Department advised that DeNA should uniformly respond as if it were in a platform provider's position.

The contradiction between the substance of the curation business and the external response as advised by the Legal Department is considered to have gradually formed the understanding inside DeNA that "DeNA will explain externally, regardless of the substance, that its position in the curation business that it operates is of a 'platform business operator'." In fact, there were some POs of websites who showed an incorrect understanding during the interviews by the Committee, to the effect that they thought that they would incur no responsibility if the content of any article contained errors or unauthorized use from articles on another website. As a result, in some of DeNA's websites, full attention was not paid to creating a system for checking against unauthorized use of other website articles or securing the accuracy of articles. It cannot be denied that this may possibly have allowed the Issue to occur.

The Committee must also conclude that the check function of the directors, corporate auditors, CS, Internal Audit Office, and other relevant sections or personnel was insufficient.

First, at the board of directors and corporate auditors meetings, only the profitability aspect was reported, to the effect that the curation business was growing successfully, and there was no trace of discussions on other potential risks of the curation business. However, risks inherent in the curation business were reported to the board of directors at the time of acquiring iemo Co., Ltd. and peroli, and the continued monitoring of such risks must have been a responsibility of the directors and corporate auditors. It is truly regrettable that that function was not exercised.

A variety of complaints regarding the curation business were brought to CS, and the content of those complaints was reported by CS to the section in charge of the curation business. However, there was no mechanism to further report them to officers or employees beyond that level. Particularly because the curation business is a business focused on providing an indefinite large number of users with information, users' feedback is an important source of information to ascertain the current situation of the business. There preferably should have been a mechanism to share such users' feedback not only among those directly involved in the curation business, but also with the directors, and other monitoring and supervisory sections.

It must be concluded that internal audits for the curation business by the Internal Audit Office and the internal whistleblowing contact point did not lead to recognizing the risks of the curation business, and did not sufficiently function in relation to the Issue.

(4) There were Multiple Factors in the Curation Business that Precluded “Self-Correction” of Business Operations

Until the Issue occurred, DeNA had placed its focus on having individual employees and business divisions act autonomously by widely spreading “DeNA Quality⁴,” a shared attitude and awareness required of all employees, instead of ensuring their compliance with the rules or manuals. In fact, in the business divisions not involved in the curation business, it appears that, until then, a compliance system and risk control system that relied on said mechanism considered to be “autonomous” or “self-correcting” had been functioning to a certain extent. However, the Committee has the impression that, in the curation business, such “self-correction” was precluded by the existence of multiple factors as discussed below.

A. Communication Failures Regarding the Curation Business

The interviews conducted by the Committee revealed a considerable number of people pointing out communication failures regarding the curation business. The interview results suggest that the communication failures had been occurring at all tiers and in all circumstances (i.e., between directors and executive officers, between managers of the curation business and employees engaged on the front lines of the business, and between the Corporate Department and the Curation Business Department). That being said, however, if communication fails, the blame should not be placed on only one side, given that communication is necessarily two-way.

The Committee will not delve into each specific detail of the communication failures. However, the Committee would like to present the following admonitory advice to all officers and employees who were involved in any manner in the communication failures in the curation business.

⁴ Specifically, this consists of the following five elements: “Delight – I always understand my customers’ expectations and strive to exceed them”; “Surface of sphere – I represent DeNA and always act with a sense of responsibility”; “Be the best we can be – I do my best at all times with the same mindset that I expect from my boss’s boss”; “Transparency and honesty – At all times I communicate transparently and honestly, fulfilling my responsibility to the team”; and “Speak up – I fearlessly and respectfully communicate.”

- > Superiors are required to be open to criticism from subordinates. Otherwise, those subordinates will no longer dare to express opinions to their superiors.
- > It may be comfortable to be surrounded by only yes-men, but that will simply make one unable to see anything.
- > The impact on subordinates by a superior's single remark may exceed what the superior who made the remark imagined. "That wasn't my intention" will not undo the damage done.
- > A superior who does not sufficiently articulate his or her thoughts will cause his or her organization to develop a culture where the superior's thoughts must be speculated⁵ upon. If speculation becomes customary, that may lead the organization to rush into an unexpected wrong direction. Subordinates preoccupied with speculating about their superior's thoughts will gradually cease to think independently, and end up engaging only in internally-oriented discussions.
- > Communication failure between superiors will generate communication failures between their respective subordinates, and result in generating cliques.
- > If each section in the company shows an attitude of respecting mutual values, opinions and activities, they will start pursuing total optimization for the company and society, instead of partial optimization on a sectional basis.

B. Over-Approbation for "Anti-Big Company Disease"

DeNA advocated "being an eternal venture (company)," and placed importance on speedy decision-making. In this respect, quite a few companies (not only DeNA but also mainly start-up companies) consider it important to make decisions speedily, from the philosophy of "better rough and ready than slow and elaborate." The Committee does not consider that there is any issue in DeNA's values themselves that place importance on speedy decision-making.

In the milieu where many Japanese companies are considered to have a stability-oriented mindset, seeking low risk and low returns, the idea that "there must be a society that continuously generates dynamic innovative ventures that expand social values where challenges without fear of failure are appreciated and that give a large impact on the whole economic society and industrial structure" is becoming a trend in Japan recently.⁶ Even in an area where there are no established rules, or where there are gray zones in light of the existing rules, just to defer market entry by avoiding such risks does not lead to promoting the metabolism of the industry or to increasing the competitiveness of Japanese companies. Rather, in the case of a corporate decision to undertake business risks associated with new market entry in order to provide new value, while proposing the creation of new rules or the revision of existing rules, that decision should be favorably evaluated as long as such new value is acceptable to society.

At DeNA, Mr. Moriyasu and others pursued new businesses that were expected to generate profits following the game business. As a result, DeNA focused on the curation business, where there had not necessarily been established rules, and decided to enter into that business shortly after it commenced examination. The Committee considers that such decision itself is a possible option for a management strategy for a listed company constantly exposed to intense competition. The Committee does not intend to automatically conclude that the decision at that time was mistaken, because of the occurrence of the Issue in that business.

⁵ [Note for only English translation version] The term "speculate" is used to describe the situation in which the subordinates are required to guess what their superiors have in their minds in a way in which the superiors would be satisfied with the result.

⁶ Page 6 of the "Japan Revitalization Strategy Amendment 2015 - Investment for the Future, and Revolution in Productivity" prepared by the Headquarters for Japan's Economic Revitalization established inside the Cabinet.

However, in a sense, the Issue is also considered to have an aspect of having been caused by DeNA's advocated philosophy of "being an eternal venture (company)" moving ahead on its own.

In other words, from the interviews of DeNA's management members, the Committee gained the impression that, although the philosophy of "being an eternal venture (company)" was an honorable philosophy to prevent big company disease, such as organizational inflexibility and slow decision-making, it was misinterpreted in the curation business to mean that "taking the easy way is permitted as long as it is speedy." As a result, this led to negligence in careful decision-making and risk analysis, and a disregard for doing what ought to have been done as a matter of course.

There are a number of big companies that achieve swift and dauntless risk-taking while making good use of their strengths as a big company. DeNA is considered to have needed to more strictly examine in minute detail, and clearly share, what was meant by the term "eternal venture." Further, the Committee considers that DeNA should not have regarded being a big company as a "disease," but should have changed its mindset and been flexible enough to view it as an opportunity.

C. Multifaceted Discussions or Insight for the Curation Business were not Deeply Developed as a Result of Overly Adopting Dualistic Thinking

As is typically illustrated in the discussion on "whether to abandon being an external venture (company), or adhering to resisting big company disease," a dualistic thought pattern of either right or left is considered to have been frequently observed in the curation business. Typical examples include the argument on "whether either article volume or article quality should be pursued" in the article creation policy in the curation business, and the over-reaction by the curation business division against the corporate division (such as legal and human resources) exercising its control authority, claiming that being cautious would be to sacrifice growth.

Although such dualistic thinking is useful for simplifying matters, once one falls into such a pattern of thinking, it will lead to overlooking important points of view in areas where multifaceted discussions and insights are required. The curation business required coordinating the interests of a number of parties concerned, such as the users who receive the service, the advertisers who pay into the service, the right holders of the original content, and the Writers. Originally, it must have been an area not compatible with dualistic thinking. Nevertheless, as a result of the over-adoption of dualistic thinking of "either right or left" in the curation business, multifaceted discussions or insights were not deeply developed, which is considered to have led to the occurrence of the Issue.

9. Recommendation of Preventive Measures to Avoid Recurrence

(1) Introduction

The Committee believes that, by considering in detail the analysis of the causes and background stated in 8 above, the preventive measures to avoid recurrence, which DeNA will now be required to take, will automatically become clear. The Committee is concerned that if it makes detailed recommendations on individual/concrete preventive measures, this may lead to a situation where DeNA would feel it sufficient to only implement the recommended preventive measures. At the same time, the Committee believes that the preventive measures that will be truly effective for DeNA will arise only through collaborative discussions within DeNA. The Committee hopes that the following recommendations will be the basis of DeNA's independent and company-wide efforts to prevent the recurrence of similar issues.

(2) DeNA should re-identify its vision and values to become the company it aspires to be, and its slogan of “being an eternal venture (company)” should not serve as an excuse

DeNA advocates the slogan of “being an eternal venture (company).” The Committee considers that the slogan is meaningful in that it prevents the organization from being inflexible and the decision-making process from being slow. However, DeNA should first recognize that being a company with a start-up mindset and being a mature company are not antinomic.

The Committee assumes that DeNA, without realizing so, started to use the slogan of “being an eternal venture (company)” for its convenience as an excuse to do what it wants to do. The Committee considers that DeNA should take a hard look at what it has done, clearly and accurately redefine what the start-up mindset is that should be truly fostered, what it means to “be an eternal venture (company),” among others, and should have that definition be the basis for the prevention of recurrence, as the common understanding of all of its members.

(3) DeNA should re-consider the ideal method for operating its businesses, prioritizing a fair business model for generating profits instead of overemphasizing targeted figures

In order for a company to develop indefinitely, it is imperative that it prevents its stakeholders from suffering losses and that it actively provides meaningful value for various stakeholders, and these principles should be clearly realized in the business it operates. In this sense, when starting or operating a business, multidimensional analysis and consideration are required, such as with respect to who would be involved in the business as stakeholders, whether there is a risk of causing damage and of what kind, or what kind of value the business may provide or should provide.

Looking from this perspective at the situation when DeNA entered into the curation business, the Committee cannot deny that DeNA overemphasized figures by exclusively focusing on the possibility and potential of generating profit and failed to pay attention to or consider other important factors.

The Committee considers that DeNA should determine its position from this perspective based on the lessons it has learned from the Issue and take specific measures to introduce systems and processes that can enable it to appropriately analyze and consider the ideal way of operating its businesses.

(4) DeNA should consider developing new systems and processes that enable DeNA to continuously check and reflect on its operation properly as necessary after entry into a new business, and should foster a culture where risks inherent in making management decisions and business operations are recognized company-wide

The Committee considers that one of the major problems in this Issue was that DeNA, in the process of operating the curation business, which was complicated and involved a great deal of uncertainty, was preoccupied with business expansion and thus failed to develop and operate systems and processes to appropriately discover, understand, and adapt to the expansion and spread of risks in conjunction with the business expansion.

To the extent that one operates a business, one has to grow the business and increase profits, but it is also a matter-of-course that one is required to accurately understand the specific content of and changes in the business, including work processes, and take appropriate measures in relation to the expansion of risks and changes that accompany the growth.

Together with the fact that DeNA’s multidimensional analysis and consideration were inadequate when it entered into the curation business, when confirming the operation and expansion of the business in board of directors, management, and department meetings, DeNA placed emphasis exclusively on the growth and expansion of the business. DeNA did not appreciate complaints, etc.

and did not fundamentally or adequately recognize or understand the business risks identified in those complaints, etc.

Needless to say, it is necessary and beneficial for a company to appoint personnel and units who will concentrate their efforts on business development. At the same time, it is also necessary and beneficial for a company to appoint personnel or departments that are obligated to focus on and check whether the business is causing harm, whether the business has a risk of causing harm, or whether the business is proceeding in a direction that is wrong from a legal, ethical, or social perspective; to issue warnings at appropriate times; and to request that the relevant issues be resolved. In this respect, although DeNA had developed such a system to a certain extent, there was no officer-level employee who had strong authority with which he/she would appreciate issues of compliance and risks pertaining to the business across the company, propose improvements and implement necessary measures therefor, and who could consider the issues independently from those in charge of growing the business. The Committee believes that if DeNA had appointed any such person, it would have been possible to prevent the Issue at an early stage.

The Committee requests that DeNA appropriately recognize and reflect on the issues discussed above and specifically develop systems and processes that enable it to continuously check and reflect on its business operations even after entering into new businesses. Such a system and processes cannot be developed instantly. There are numerous factors that DeNA should think about and find answers to on its own, such as who should be appointed as the managing officer and how he/she should be appointed, the extent of the authority of such managing officer, or the way to accurately understand the actual operational situation of the business, which involves rapid changes. DeNA must develop such systems and processes not only for the current Issue, but must make continuous efforts so that it can develop better systems and processes in the future.

Those who play a role in individual functions and systems should be aware of the gravity and significance of their responsibilities and then fulfill them in the understanding that because their supervision and checks are sufficiently working, managers are able to use their abilities to the fullest in operating the business and their excessive behaviors will be restrained. There is no need to be modest or to speculate about managers' intentions. Being modest and speculating about their intentions constitutes an abandonment of responsibility.

On the other hand, managers are required to be well prepared to earnestly listen to suggestions made as a result of such supervision and checks, and restrain their own excessive behaviors. They are also required to build internal communication systems and foster an environment that prevents suggestions regarding supervision and checks never being made due to hesitation. Acting solely at one's own discretion, and independently, are traits of people who are not qualified to be leaders.

(5) DeNA should re-consider an appropriate business model for the curation business that can be widely accepted by society

The Issue raised various questions, including how a media outlet should operate, how information should be disseminated through the Internet, the social significance of the functions of collecting/organizing information in the age of information overload and how those functions should be carried out, the ways to protect rights pertaining to information released on the Internet, how start-up companies should operate, and the significance of crowdsourcing and the way to use it. The Committee spent a significant amount of time discussing each of these questions over and over; however, they could not reach a definitive conclusion due to their limited knowledge and time constraints.

DeNA should discuss the above issues before determining whether to restart the curation business. If it is to restart the business, the Committee requests that it operates it appropriately after adequately considering the following points, at the least.

First, DeNA should appropriately define the curation business and clarify what kind of value the business provides to users of its services and society.

Second, DeNA should precisely understand who will assume responsibility for disseminating information.

Third, DeNA should establish a system that may be regarded to exist as a prerequisite for the curation business. The system should provide creators of original content with reciprocal merits, which not only prevents or eliminates the risks of infringement of their rights or giving them a sense of distrust or discomfort, but also enables them to enjoy the benefits of their work.

Fourth, if DeNA is to outsource article creation to outside parties, it should appropriately and clearly determine what that it should request those parties to do, and what it should not request.

By earnestly conducting the above, DeNA must ensure that no information with inaccurate or inappropriate content be provided to users of its services.

Finally, the Committee believes that it is necessary for all members of DeNA to continue to have the intention of operating the business consistently and in a humble manner, so that various quarters will recognize and acknowledge DeNA as providing meaningful value to society as a whole, instead of using its efforts solely to earn profits for itself through the curation business.

Process from Article Creation to Release for the 10 Sites - No. 1

Main item	Sub item	iemo	MERY (intern)	MERY (Writer)	CAFY	Find Travel	JOOY
Composition of Articles	Presentation of article composition plan to Writers	Were presented for a few months from around spring of 2015.	None	None	Were presented from around July 2015.	Were presented in April 2015 for articles except buzz articles.	Were presented from around May 2016 to September of the same year.
	Person creating article composition plans	Outside composition writer	-	-	Editor, from around July 2015 to autumn of the same year. Outside composition writer, from around autumn of 2015.	Outside composition writer	Outside composition writer
	Verification by an outside composition director	Unknown	-	-	Verification by an outside composition director commenced from around December 2015 or January 2016.	Conducted	Conducted
	Verification by Editors of each website	None	-	-	Conducted	None	None
	Creation of article titles by an outside title writer (if yes, whether any check was conducted by an outside title director)	None	None	None	Employed an outside title writer and outside title director.	For articles except buzz articles, from around April 2015, outside title writers were employed and outside composition directors conducted verification.	None
Editing	Employment of outside editing director	Employed from around June 2016. However, outside proofreaders had been employed in the past.	None	None	Employed from around September 2015. However, an outside proofreader was employed from April to September of 2015.	None	Employed since the commencement of the service.
	Verification / person in charge of the content of the articles before Release	Until May 2016, an Editor verified the content of all articles. From June 2016, an outside editing director verified the content of all articles.	From February or March 2014 until autumn of the same year, an Editor verified the content of all articles. None after that period.	Editor verified the content of all articles.	Editor, until around September 2015. From around the same month, an outside editing director verified the content of most of the articles, and an Editor verified the content of the rest of the articles.	None	Outside editing director verified the content of all articles.
	Verification of the content of the articles before Release by Editors of each website, upon the verification of the content of the articles by outside editing directors	None	-	-	None in principle	-	None
Release	Person who Released the article	Editor, until May 2016. Outside editing director, from June 2016.	Interns, for the period excluding the below. Editor, from around February or March 2014 to autumn of the same year.	Editor	Except for articles in task-form, an Editor until around May or June 2016. From then, it would have been an outside editing director who verified the content of the article, or an Editor.	Crowdsourced Writer	In principle, outside editing director
	Verification / person in charge of the content of the article after Release	Editor verified the content of all articles.	Editor or an intern verified the content of all articles.	None	None	Editor Employment of an outside proofreader started from around April 2015, and from then, an Editor and an outside corrector verified the content of all articles.	None in principle.

Process from Article Creation to Release for the 10 Sites - No. 2

Main item	Sub item	cuta	Upln	WELQ	PUUL	GOIN
Composition of Articles	Presentation of article composition plan to Writers	Were presented for a few months from around spring of 2015.	In around autumn of 2016, it temporarily requested the WELQ team to create article composition plans, and plans were presented.	Were presented from around late October of 2015.	Were presented from April 2016.	Were presented upon the commencement of the service.
	Person creating article composition plans	Outside composition writer However, in around August or September 2016, the creation of article composition plans was transferred to the WELQ team.	Outside composition writer	Editor, until around December 2015. From then, an outside composition writer.	Editor	Editor, until around October 2016. From around October 2016, it requested that the Growth Hack Office and the WELQ team create article composition plans.
	Verification by an outside composition director	None	None	Verification by an outside composition director commenced from around December 2015.	None	None
	Verification by Editors of each website	Conducted	None	From around December 2015 to around March 2016, an Editor verified randomly extracted article composition plans.	None	From October 2016, an Editor verified the article composition plans created by the Growth Hack Office and the WELQ team.
	Creation of article titles by an outside title writer (if yes, whether any check was conducted by an outside title director)	None	None	None	None	None
Editing	Employment of outside editing director	Employed from around March 2016.	Employed from around November 2015.	Employed from around January 2016.	Employed from October 2015 to May 2016.	Employed only one outside editing director in around June 2016.
	Verification / person in charge of the content of the articles before Release	Only an Editor until March 2016. From that month, an outside editing director and an Editor each verified content for half of the articles, respectively.	An outside editing director and an Editor verified the content of the articles created by the Writers that they were in charge of, respectively.	Until around December 2015, an Editor verified the content of all articles. From then, an outside editing director verified the content of all articles.	Until May 2016, an outside editing director and an Editor each shared responsibility for the verification of the content of all articles. After May 2016, an Editor verified the content of all articles.	Until around June 2016, an Editor verified the content of all articles. From then, an outside editing director and an Editor each shared responsibility for the verification of the content of all articles.
	Verification of the content of the articles before Release by Editors of each website, upon the verification of the content of the articles by outside editing directors	Yes, from March 2016 to around May or June 2016.	None	None	Yes, until December 2015.	Conducted
Release	Person who Released the article	Editor, until May or June 2016. Since then, it would have been an outside editing director or an Editor who verified the article content.	An outside editing director or an Editor verified the article content.	Editor, until around December 2015. From then, an outside editing director.	Editor	Editor
	Verification / person in charge of the content of the article after Release	For all articles Released by an outside editing director, an Editor verified the content of the articles.	None	From around April to around September of 2016, an Editor verified the content of the articles that were randomly extracted.	None	From March 2016, an Editor had verified the content of some articles.