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CyberAgent has been expanding business in the internet domain since its inception, and by drawing on the knowledge and business resources built up over the years, we are committed to helping to realize a society capable of sustainable growth.

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**ESG**

# Ethical Business Guideline

## Objective

This guideline based on the “Mission Statement (the Code of Conduct of CyberAgent)” provides the basic conduct to be observed by the directors, employees (including part-time and temporary employees) and all those who are involved in our company’ s business, such as outsourcees engaging in business activities, so that the standing of stakeholders are respected and our company is able to fulfill its social obligations as a corporation.

## Social Obligations

We shall take the following matters into consideration in developing/offering services and products.

- 1) We will develop and offer services and products that are useful for society while recognizing the diversifying needs of consumers and customers.
- 2) We will ensure that our services and products meet the safety and quality level.
- 3) We will offer appropriate information regarding our services and products to consumers and customers.
- 4) We will respond in good faith to questions, etc. from consumers and customers.
- 5) We will protect the personal/customer information appropriately, in accordance with our provisions for protecting personal information.

## Fair Trading

We are committed to fair, transparent and free competition as well as appropriate trading. In addition, we will maintain a healthy and normal relationship with politics and governmental authorities. Simultaneously, we will build an in-house structure that promotes and secures the compliance with the law, while raising the awareness of our directors and employees in regard to the Antimonopoly Law.

## Protecting the Intellectual Properties

We will manage the secret information of our company and respect and protect the intellectual properties of third parties and ours.

## Disclosure of Corporate Information

In consideration of the following matters, we shall communicate with society broadly, and disclose corporate information actively and fairly.

- 1) We will offer accurate information to shareholders, investors, and others and promote communication with them through shareholders’ meetings and investor relations (IR) activities.
- 2) We will comply with the laws and regulations regarding the prevention of insider trading in accordance with our provisions for insider information management.
- 3) We will disclose timely and appropriate information to stakeholders through public relations etc.

## **Respect for Human Rights**

In consideration of the following matters, we are committed to respect the diversity, personality and individuality of our employees, and to secure a safe and comfortable working environment.

- 1) We will promote good work-life balance and produce a personnel and treatment system that enables diverse human resources to work with us.
- 2) We will eliminate discrimination in employment and treatment, and work towards equal employment opportunities.
- 3) We will prevent accidents at workplaces and support the employees' health promotion.
- 4) To respect the individuality of our employees and provide support so that they can develop their career and potential abilities.
- 5) We will engage ourselves in dialogues and discussions, in good faith, with our employees directly or with the representatives of the employees.
- 6) We will strictly forbid child labor and forced labor.

## **Address Anti Social Forces**

We will resolutely oppose to antisocial forces and organizations that pose a threat to the order and safety of civil society in order to prevent damages.

## **International Business Operation**

We will adhere to international rules and local laws as well as respect local culture and customs in international business activities.

## **Management Leadership**

In consideration of the following matters, our directors will recognize that it is their duty to embody the spirit of this guideline, and diffuse it among the group companies. They will also maintain the effective company structure, and disseminate our corporate ethics fully.

- 1) Our directors will do our utmost to demonstrate leadership to clarify our "Vision" .
- 2) Our directors will manifest our basic stance on our "Vision" and "Mission Statement" to the outside, and disclose the information regarding the practical efforts towards them.
- 3) Our directors will build a company-wide system to work towards corporate ethics.

## **Contribution to Sustainable Society**

We, centered on our core businesses, will collaborate with various stakeholders of our company to contribute to the realization of a sustainable society by responding to social issues.

# Compliance

CyberAgent has established the item, “a highly moral company that thoroughly complies with the law,” in relation to complying with its Mission Statement, and strives to act with strong ethics and responsibility. Moreover, CyberAgent continues to provide a necessary training and environment to comply with laws.

## Compliance Framework

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CyberAgent rebuilt the Legal Office which was used until 2016 into the Legal and Compliance Office to carry out compliance duties. The office has been providing compliance education and ensured it has been diffused in all divisions of the company. They have been setting up a framework that enables business operations imbued with strong ethics by implementing required measures in establishing a compliance framework for the entire company group and regularly holding specialized compliance workshops necessary to the duties in each division.

## Initiatives to Educate and Diffuse Compliance

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### Implementation of a Compliance Workshop

A compliance workshop is implemented at the moment new graduates or mid-career employees join the company. In addition, we regularly provide workshops to improve knowledge and awareness regarding compliance. For example, we offer additional education about the Law for Preventing Unjustifiable Extra or Unexpected Benefit and Misleading Representation, Infrastructure Security, etc. according to the characteristics of each division and trends.

### e-Learning

CyberAgent has built an intranet e-learning system to deepen understanding and diffusion of the training from compliance workshops. The system enables employees to test themselves in 10 or more categories such as Personal Data Protection or Insider Training at any time.

### Hotline

CyberAgent has put in place a system in which company directors or employees can notify a support desk (internal notification system) or ask for guidance anonymously should they discover a compliance violation.

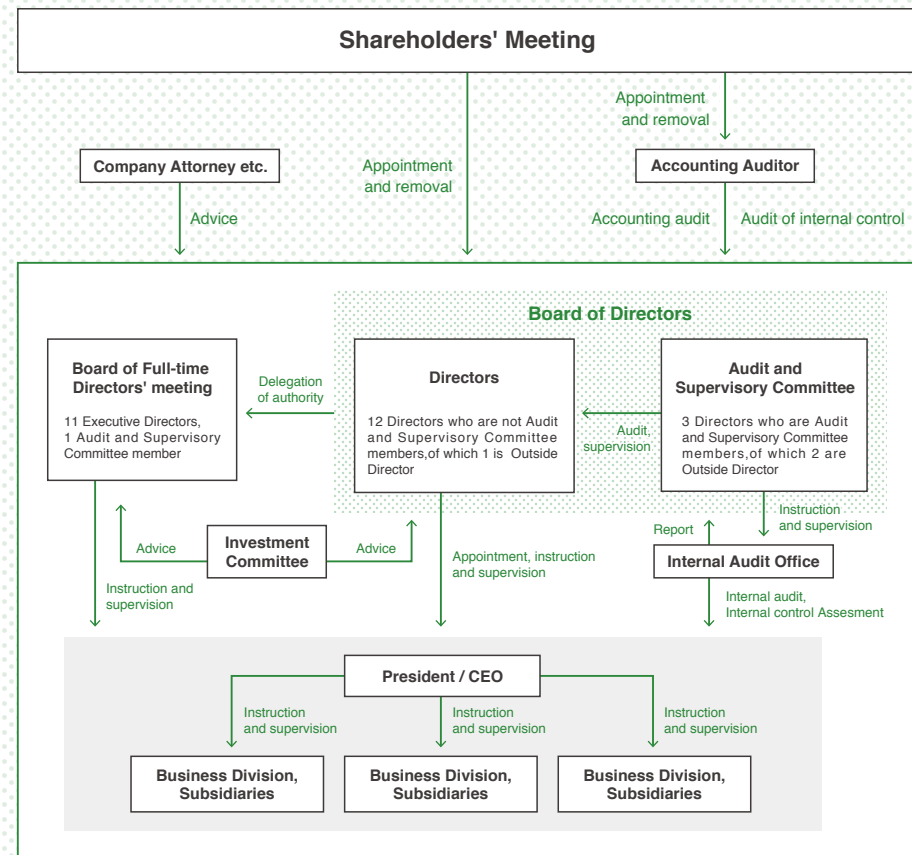
# Corporate Governance

Under our vision “To create the 21st century's leading company,” CyberAgent regards corporate governance as a key issue in achieving sustainable expansion of the business.

While conducting corporate activities based on rules that include legislation, social norms, ethics etc., in October 2017, we transferred our corporate governance to a company with an audit committee in an aim to improve the effectiveness of the Board of Directors.

We have been making efforts to further enhance the supervisory functions, transparency and fairness of the Board of Directors, including by the appointment of three external directors and one female director.

## Structure



# Outline of the Corporate Governance Structure

as of December 17, 2018

|   |   |
|---|---|
| <b>Corporate governance structure</b>   | Company with Audit and Supervisory Committee  |
| <b>Number of directors on the board (Outside directors)</b>                         | 15(3)   |
| <b>Directors who are Audit and Supervisory committee member (Outside directors)</b> | 3(2)  |
| <b>Executive Officer System</b>   | None  |
| <b>Standards for appointment and independence of outside directors</b>              | Conforms to Tokyo Stock Exchange's "Practical Considerations when Appointing Independent Directors/Auditors"  |
| <b>Introduction of measures to prevent takeover bids</b>                            | None  |
| <b>Strategic Shareholdings</b>  | The Company may own "Strategic Shareholdings" if, for instance, it is expecting to strengthen business collaboration. The execution of voting rights of strategic shareholdings shall be handled appropriately based on careful review of proposal content. |
| <b>Corporate Governance Report</b>  | <a href="https://www.cyberagent.co.jp/files/user/pdf/way/governance/cg/cgr_en.pdf">https://www.cyberagent.co.jp/files/user/pdf/way/governance/cg/cgr_en.pdf</a>   |
| <b>Accounting Auditor</b>   | Deloitte Touche Tohmatsu LLC  |

## Corporate Governance


# List of Directors

Since 2008, CyberAgent had implemented "CA8" as a unique director rotation system (in which, the number of directors was set principally to 8 people to ensure a sound board of director operating structure, and 2 members were replaced every 2 years). However, it was decided to eliminate this system since certain goals had already been attained, such as management team development, and also to focus efforts on establishing a system to further expand business.

In order to further strengthen and perfect a management structure that is able to respond to an ever-diversifying business portfolio, we plan to increase the number of directors for a certain period we call a "bulk up period," and continue to pursue further management team development and the building-up of an even more robust management system.



^ Boardroom



**President and CEO, Overall Management** 25,909,600 shares  
**Susumu Fujita**

Apr. 1997 Joined Intelligence, Ltd. (Present: PERSOL CAREER CO., LTD.)  
 Mar. 1998 Founded CyberAgent, Inc. President. (current position)  
 Jun. 2012 Vice Representative Director, The Japan Association of New Economy (JANE)  
 Apr. 2015 President, AbemaTV, Inc. (current position) 13/13



**Vice President, Game Business** 837,200 shares  
**Yusuke Hidaka**

Apr. 1997 Joined Intelligence, Ltd. (Present: PERSOL CAREER CO., LTD.)  
 Mar. 1998 Founded CyberAgent, Inc. Managing Director.  
 Oct. 2010 Vice President, CyberAgent, Inc. (current position)  
 May 2011 Director, Cygames, Inc. (current position) 13/13




**Executive Managing Director, Internet Advertisement Business** 71,400 shares  
**Yasuo Okamoto**

Apr. 2000 Joined CyberAgent, Inc.  
 Dec. 2008 Director, CyberAgent, Inc.  
 Oct. 2010 Managing Director, CyberAgent, Inc.  
 Dec. 2014 Executive Managing Director, CyberAgent, Inc. (current position) 12/13



**Managing Director, Company-wide Function** 354,275 shares  
**Go Nakayama**

Apr. 1998 Joined Sumitomo Corporation.  
 Aug. 1999 Joined CyberAgent, Inc.  
 Dec. 2003 Director, CyberAgent, Inc.  
 Apr. 2006 Managing Director, CyberAgent, Inc. (current position) 13/13



**Managing Director, Media Business** 48,315 shares  
**Masahide Koike**

Jul. 2001 Joined CyberAgent, Inc.  
 Dec. 2012 Director, CyberAgent, Inc.  
 Dec. 2014 Managing Director, CyberAgent, Inc. (current position)  
 Jul. 2016 Director of AbemaTV, Inc. (current position) 12/13



**Managing Director, Internet Advertisement Business** 27,479 shares  
**Takahiro Yamauchi**

Apr. 2006 Joined CyberAgent, Inc.  
 Apr. 2009 Representative Director, CyberZ, Inc. (current position)  
 Dec. 2012 Director, CyberAgent, Inc.  
 Oct. 2018 Managing Director, CyberAgent, Inc. (current position) 13/13



**Director, Game Business** 3,398 shares  
**Koki Ukita**

Apr. 2011 Joined CyberAgent, Inc.  
 Apr. 2014 Representative Director, Applibot, Inc. (current position)  
 Dec. 2016 Director, CyberAgent, Inc. (current position) 13/13



**Director, Human Resources** 112,249 shares  
**Tetsuhito Soyama**

Apr. 1998 Joined Isetan Co., Ltd. (present: Isetan Mitsukoshi Holdings, Ltd.)  
 Apr. 1999 Joined CyberAgent, Inc.  
 Dec. 2008 Director, CyberAgent, Inc.  
 Dec. 2016 Director, CyberAgent, Inc. (current position) 13/13




**Director, Advertising Technology and Creative Development** 66,000 shares  
**Takahito Naito**

Apr. 2001 Joined CyberAgent, Inc.  
 Oct. 2010 Director, CyberAgent, Inc.  
 Oct. 2014 General Manager of AdTech Business Hq. (current position)  
 Dec. 2018 Director, CyberAgent, Inc. (New) N/A




**Director, Technical Development Division** 3,214 shares  
**Norishige Nagase**

Apr. 2000 Joined NTT Software Corporation (present: NTT TechnoCross Corporation)  
 Aug. 2005 Joined CyberAgent, Inc.  
 Jan. 2018 General Manager, Technical Development Division (current position)  
 Dec. 2018 Director, CyberAgent, Inc. (New) N/A



**Director, AbemaTV Advertising** 3,000 shares  
**Riku Yamada**

Apr. 2011 Joined CyberAgent, Inc.  
 Oct. 2015 Corporate Officer, CyberAgent, Inc. (current position)  
 Oct. 2017 General Manager of Advertisement Hq. of AbemaTV, Inc. (current position)  
 Dec. 2018 Director, CyberAgent, Inc. (New) N/A



**Independent Outside Director** 1,496 shares  
**Koichi Nakamura**

Apr. 2008 Director and Vice President, Recruit Co., Ltd. (present: Recruit Holdings Co., Ltd.)  
 Apr. 2012 Director and Advisor, Recruit Co., Ltd. (present: Recruit Holdings Co., Ltd.)  
 Jun. 2014 Resigned Director and Advisor, Recruit Holdings Co., Ltd.  
 Dec. 2016 Outside Director, CyberAgent, Inc. (current position) 13/13

\*1 Name, Title, Managing Division (as of December 14, 2018) \*2 Number of shares hold (as of the end of November) \*3 Board meeting attendance (N/A for new Directors)  
 \*Independent directors: Independent directors pursuant to the provisions of the Tokyo Stock Exchange.






## Corporate Governance

# Audit and Supervisory Committee

- Directors who are members of the Audit Committee attend Board of Director meetings and other important meetings to audit and supervise the legality and appropriateness of the directors' business execution.
- As necessary, the Audit and Supervisory Committee receives reports or explanations from company executives and employees, and implements surveys etc. of major subsidiaries or workplaces.
- The committee meets regularly once a month and holds unscheduled meetings whenever necessary.
- 11 meetings were held in 2018

## Structure of the Audit and Supervisory Committee

|   |   |   |                             |     |                          |       |   |                |       |                             |     |                          |       |   |                |       |                             |     |                          |       |
|---|---|---|-----------------------------|-----|--------------------------|-------|---|----------------|-------|-----------------------------|-----|--------------------------|-------|---|----------------|-------|-----------------------------|-----|--------------------------|-------|
|   |   |                                        |                             |     |                          |       |   |                |       |                             |     |                          |       |   |                |       |                             |     |                          |       |
| <p>Director 9,600 shares<br/><b>Toko Shitsuki</b></p>   | <p>Outside Director 45,800 shares<br/><b>Masao Horiuchi</b></p>   | <p>Isao Numata 64,683 shares<br/><b>Isao Numata</b></p>   |                             |     |                          |       |   |                |       |                             |     |                          |       |   |                |       |                             |     |                          |       |
| <p>Full-time Audit and Supervisory Committee member<br/>Chairman of Audit and Supervisory Committee</p>   | <p>Audit and Supervisory Committee member<br/><span style="border: 1px solid green; padding: 2px;">Independent</span></p> | <p>Audit and Supervisory Committee member<br/><span style="border: 1px solid green; padding: 2px;">Independent</span></p> |                             |     |                          |       |   |                |       |                             |     |                          |       |   |                |       |                             |     |                          |       |
| <p><b>Attendance Rate</b></p> <table border="1"> <tr><td>Board meetings</td><td>13/13</td></tr> <tr><td>Corporate Auditors meetings</td><td>2/2</td></tr> <tr><td>Audit Committee meetings</td><td>11/11</td></tr> </table> | Board meetings  | 13/13   | Corporate Auditors meetings | 2/2 | Audit Committee meetings | 11/11 | <p><b>Attendance Rate</b></p> <table border="1"> <tr><td>Board meetings</td><td>12/13</td></tr> <tr><td>Corporate Auditors meetings</td><td>2/2</td></tr> <tr><td>Audit Committee meetings</td><td>11/11</td></tr> </table> | Board meetings | 12/13 | Corporate Auditors meetings | 2/2 | Audit Committee meetings | 11/11 | <p><b>Attendance Rate</b></p> <table border="1"> <tr><td>Board meetings</td><td>13/13</td></tr> <tr><td>Corporate Auditors meetings</td><td>2/2</td></tr> <tr><td>Audit Committee meetings</td><td>11/11</td></tr> </table> | Board meetings | 13/13 | Corporate Auditors meetings | 2/2 | Audit Committee meetings | 11/11 |
| Board meetings  | 13/13   |   |                             |     |                          |       |   |                |       |                             |     |                          |       |   |                |       |                             |     |                          |       |
| Corporate Auditors meetings   | 2/2   |   |                             |     |                          |       |   |                |       |                             |     |                          |       |   |                |       |                             |     |                          |       |
| Audit Committee meetings  | 11/11   |   |                             |     |                          |       |   |                |       |                             |     |                          |       |   |                |       |                             |     |                          |       |
| Board meetings  | 12/13   |   |                             |     |                          |       |   |                |       |                             |     |                          |       |   |                |       |                             |     |                          |       |
| Corporate Auditors meetings   | 2/2   |   |                             |     |                          |       |   |                |       |                             |     |                          |       |   |                |       |                             |     |                          |       |
| Audit Committee meetings  | 11/11   |   |                             |     |                          |       |   |                |       |                             |     |                          |       |   |                |       |                             |     |                          |       |
| Board meetings  | 13/13   |   |                             |     |                          |       |   |                |       |                             |     |                          |       |   |                |       |                             |     |                          |       |
| Corporate Auditors meetings   | 2/2   |   |                             |     |                          |       |   |                |       |                             |     |                          |       |   |                |       |                             |     |                          |       |
| Audit Committee meetings  | 11/11   |   |                             |     |                          |       |   |                |       |                             |     |                          |       |   |                |       |                             |     |                          |       |

\*1 Name, Title (as of December 14, 2018) \*2 Number of shares hold (as of the end of November)  
\*Independent directors: Independent directors pursuant to the provisions of the Tokyo Stock Exchange.



△ Toko Shitsuki, Director (Full-time Audit and Supervisory Committee member)

### Toko Shitsuki, Director (Full-time Audit and Supervisory Committee member)

## Overseeing Management and the Unique Perspective of a Female Director

I believe that the role of full-time directors, who are in a position independent from management, is to have an accurate grasp of the company' s situation at all times and oversee management while sharing identified issues with the outside directors. As the only female director, I am dedicated to promoting well-balanced discussions that draw on my knowledge and experience, while enhancing the diversity of the Board of Directors.

## Corporate Governance

# List of Corporate Officers



Senior Corporate Officer  
**Hiroyuki Ishii**

Internet Advertising Headquarters



Corporate Officer  
**Yuko Ishida**

Human Resources Division



Corporate Officer  
**Eiji Koike**

Internet Advertising Headquarters



Corporate Officer  
**Takunori Fujii**

AbemaTV, Inc.



Corporate Officer  
**Masato Sato**

Systems Department



Corporate Officer  
**Yosuke Sato**

Creative Development Division



Corporate Officer  
**Takehiro Takeda**

Human Resources Division



Corporate Officer  
**Tatsuhiko Taniguchi**

AbemaTV, Inc.



Corporate Officer  
**Gaku Miyata**

Internet Advertising Headquarters

\*1 Title, Name, Managing Division

\*2 As of October 3, 2018

## Corporate Governance

# Directors and Board of Directors

### Board of Directors

- The Board consists of 15 directors including 3 outside directors
- The Board meets regularly once a month and also holds unscheduled meetings whenever necessary
- Meetings in 2018: 13

### Analysis and Evaluation of Board of Director Effectiveness

A questionnaire on effectiveness of the Board of Directors was conducted on September 27, 2018, which evaluated directors (including those currently serving as Audit and Supervisory Committee Members).

With regard to the number of times the Board of Directors convened as well as scope, quantity and content of recommendations presented, the questionnaire found that there were no indications of problems and sufficient time was set aside for deliberation. The questionnaire also found that directors have an appropriate decision making process which is rooted in discussions that consider budget, earnings outlook, risk of impact on business or management, etc., and that the board strives to improve corporate value, selection and concentration, and business expansion not only the directors' specific realm of responsibility, but also across the entire company.

### Reason for the appointment of outside directors

#### Koichi Nakamura

Mr. Koichi Nakamura accumulated years of experience in general management at Recruit Holdings Co., Ltd. Since being appointed as an outside director in December 2016, he has provided valuable advice as an outside director on matters such as strengthening human resources and organizational skills. Based on abundant experience and knowledge built up over the years, his advice is grounded in a firm understanding of CyberAgent's management, corporate value, and corporate culture that considers human resources our assets.

To date, based on abundant experience and from an independent, objective standpoint, he has on many

occasions provided practical comments and advice on improving and strengthening corporate governance and internal control. In view of the fact that the Board of Directors can expect to continue receiving appropriate advice from him, we have determined he is capable of appropriately performing the duties expected of an independent director.

CyberAgent has determined that Mr. Nakamura meets the qualifications of an independent director as set by the Tokyo Stock Exchange and poses no risk in terms of conflict of interest with ordinary shareholders, and has thereby appointed him as a Independent Outside Director.

#### Masao Horiuchi

Mr. Masao Horiuchi was appointed as an Outside Auditor of CyberAgent in 1998. After working for many years in charge of internal control and the administrative department of USEN-NEXT HOLDINGS, he now draws on this abundant experience to provide valuable advice on internal control at CyberAgent. Based on extensive experience and knowledge in finance, accounting, and taxation as a tax accountant, Mr. Horiuchi contributes to further strengthening CyberAgent's corporate governance by objectively monitoring the company's management and providing useful advice.

Based on a deep understanding of our corporate group's

vision and business activities, he also anticipates potential risks before they occur, exchanges unreserved opinions with the management team, and when necessary, openly gives hard-hitting opinions. Because of these traits, we consider him qualified to serve as an independent outside director, which requires a high level of impartiality.

CyberAgent has determined that Mr. Numata meets the qualifications of an independent director as set by the Tokyo Stock Exchange and poses no risk in terms of conflict of interest with ordinary shareholders, and has thereby appointed him as a Independent Outside Director.

#### Isao Numata

Mr. Isao Numata was appointed as an outside auditor in 2000. After working at Daiwa Securities for 12 years, he utilized the knowledge he built up there to establish a consulting firm mainly engaged in IPO Consulting. Based on extensive experience and knowledge of management and stock markets which he built up as a business operator, Mr. Numata contributes to further strengthening CyberAgent's corporate governance by objectively monitoring the company's management, providing useful advice, enhancing auditing capabilities in overall business implementation, and ensuring transparency in business management.

Mr. Numata also worked from April 1988 to June 2000 at Daiwa securities (currently Daiwa Securities Group

headquarters), which is CyberAgent's lead underwriter. It should be noted, however, that he has never held a key position concerning the administration of CyberAgent, and more than 18 years has passed since he left that company. He also had never had any special business relationship with the company after leaving it. Based on this history, we consider him to have more than adequate impartiality concerning CyberAgent.

CyberAgent has determined that Mr. Numata meets the qualifications of an independent director as set by the Tokyo Stock Exchange and poses no risk in terms of conflict of interest with ordinary shareholders, and has thereby appointed him as a Independent Outside Director.

## Corporate Governance

# Interview with an Outside Director

Outside Director Koichi Nakamura

### "Valuing the shareholders' perspective while leading CyberAgent to growth"

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Intense debates take place at Board of Director meetings. CyberAgent is not a one-man-show with the company's founder, Mr. Fujita calling all the shots. Instead it gives the impression of the entire management team clearly voicing their unreserved opinions.

Agenda items that come up don't simply end in idle talk, but rather, a decision or basic course of action is determined on-the-spot through a process of highly constructive discussion.

The role of an outside director is to engage the board of directors while also supervising management and ensuring that corporate governance is being fully applied.

Our job is to make decisions based on our own experience and knowledge while valuing not only the company's internal viewpoint, but also the viewpoints of people outside the company and shareholders. Through these efforts, we are dedicated to leading CyberAgent to even more impressive growth.



△ Mr. Nakamura

## Corporate Governance

# Management Transparency

### Basic policy for information disclosure

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CyberAgent strives to provide prompt information to shareholders and investors based on transparency and fairness. We are also dedicated to timely and proactive disclosure of information in accordance with the Financial Instruments and Exchange Act and Tokyo Stock Exchange timely disclosure rules, as well as information we deem valid for better understanding the company.

For more information, please refer to our Disclosure Policy on page 77.

### Initiatives to General Meeting of Shareholders

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We are accelerating the delivery of convocation notices to ensure that our shareholders have sufficient time to review the agenda. Convocation notices are sent out at least one week prior to the statutory date (at least three weeks before the General Meeting of Shareholders). In addition, before notices are sent out, their Japanese and English versions are posted on CyberAgent's corporate website, on the Tokyo stock exchange website, and also on the electronic voting platform for rights holders. Exercise of voting rights through the internet has been available since 2007. CyberAgent sets shareholders' meetings in

December by avoiding dates crowded with other company shareholder meetings so that as many shareholders as possible can attend. The 21st annual General Meeting of Shareholders was held on December 14, 2018. A business report video on the first part General Meeting of Shareholders as well as scenes from the second part Company Information Session are available to view on the corporate website.


### Communication through social media

 CyberAgent  
Official Facebook




 CyberAgent  
Official Twitter



 President, Susumu Fujita  
Official Twitter



 Director, Tetsuhito Soyama  
Official Twitter



## Corporate Governance

# Director Compensation

### Policy for directors' compensation decisions

The amount of compensation for CyberAgent executives, etc., is determined by comprehensively taking into consideration the role, contribution, and performance of each director appointed by the Board of Directors (excluding directors who are members of the Audit and Supervisory Committee, etc.), within the compensation limit approved at the general meeting of shareholders.

The amount of compensation for directors who are members of the Audit and Supervisory Committee, etc. is determined through consultation with the directors who are members of the Audit Committee etc. is determined based on mutual discussion with that person.

#### Introduction of stock option system

Stock options are granted based on CyberAgent's consolidated sales with the objective of further boosting the motivation and morale, raising corporate value, and further strengthening corporate management.

#### Outline of Stock Options

|                                    |   |
|------------------------------------|---|
| <b>Eligible employees</b>          | In-house directors, employees, directors of subsidiaries, employees of subsidiaries |
| <b>Issued outstanding balance</b>  | 792,400 shares (0.63% of issued shares including treasury shares)                   |
| <b>Estimated total amount paid</b> | 542,941,000 yen   |

\* as of the end of September, 2018

### Director Compensation

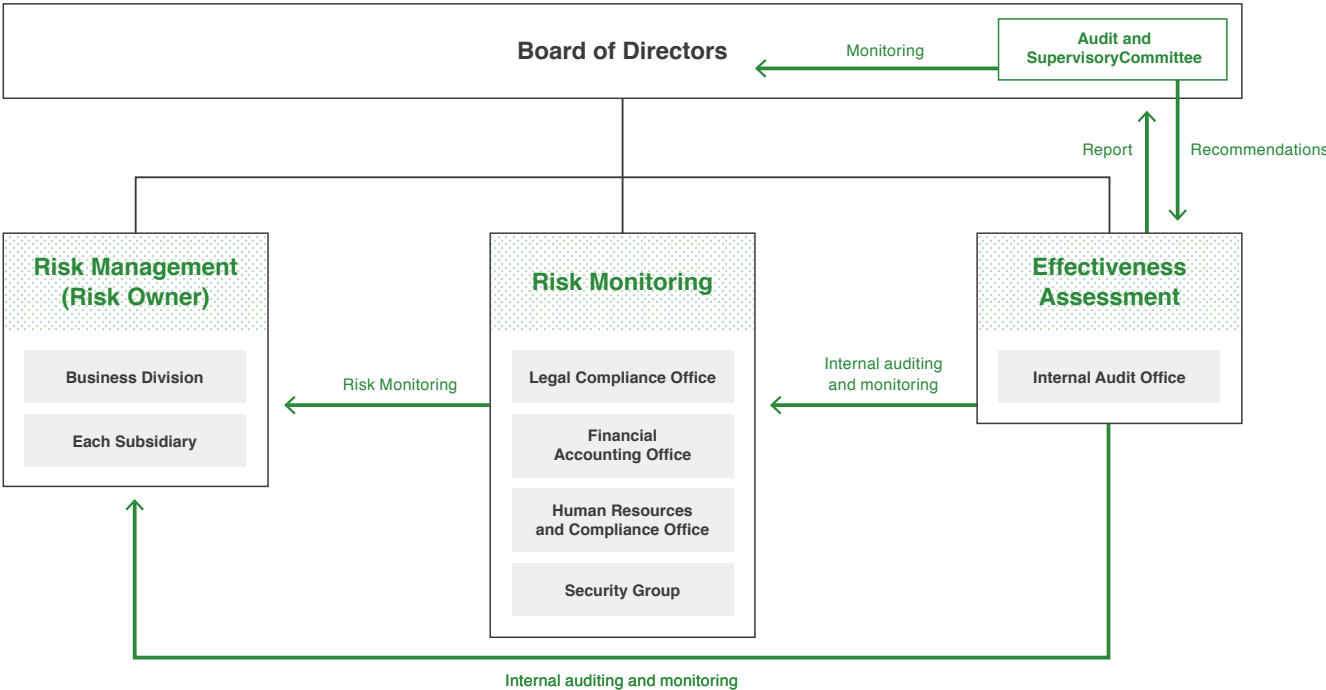
| Classification  | Compensated persons | Compensation amount    |
|---|---------------------|------------------------|
| Director (Exclude members of the Audit and Supervisory committee) | 9                   | 407 million yen        |
| (Of which, outside director)                                      | (1)                 | (12 million yen)       |
| Directors who are members of the Audit and Supervisory committee  | 3                   | 14 million yen         |
| (Of which, outside auditor)                                       | (2)                 | (6 million yen)        |
| Corporate Auditors  | 3                   | 3 million yen          |
| (Of which, outside auditor)                                       | (2)                 | (1 million yen)        |
| <b>Total</b>  | <b>15</b>           | <b>426 million yen</b> |
| (Of which, outside executive)                                     | (5)                 | (19 million yen)       |

\*Compensation to each director includes the amount of expenses incurred during the business year for subscription rights to shares granted as stock options (Director, 128 million yen).

# Internal Control

CyberAgent is making system enhancements to the IT internal control system and building an operations monitoring system in order to realize sustainable growth for the group as a whole. By responding flexibly to fast-paced changes in the business environment, we are committing the effort necessary to maintain and improve the quality of our business operations.

Internal Control System



# Risk Factors

The following passages will describe major possible risk factors related to the business operation of our Group. In addition, the items that are not related to the risk factors, but considered important for investment judgment will be mentioned below, from the viewpoint of proactively disclosing information to investors. CyberAgent will recognize these risks, and implement some measures for avoiding or coping with these risks.

## Regarding business trend

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If there emerges a hindrance to the growth of the Internet, game markets or if business confidence worsens, and affecting the Internet ad market, our business performance and financial standing may be affected.

## Regarding fluctuations in business performance

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Earnings forecast is based on management' s assumptions and it should be noted that the accuracy of information is not guaranteed. Changes in unforeseen factors could cause actual results to differ materially. Also, if accounting standards or taxation systems are changed considerably, it may affect our business performance and financial condition of CyberAgent.

## Regarding internal control systems

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CyberAgent takes various measures for maximizing the value of each group company, while considering that our important managerial mission is to enrich our corporate governance. However, if the development of sufficient internal control systems cannot keep up with the rapid expansion of our businesses, etc., it may become difficult to operate our businesses appropriately, affect the business performance and financial standing of CyberAgent.

## Regarding the risks accompanying the dependence on specific management and recruitment

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If it becomes difficult to secure personal or if as represented by board members, including the president or executive who has technical knowledge, skills, or experiences resigns or retires for some reason and there are no successors, the business performance and financial standing of CyberAgent may be affected.

## Regarding legal regulations

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CyberAgent' s field of business is regulated by various laws and regulations, such as the 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, the Act on Prohibition of Unauthorized Computer Access, the Consumer Contract Act, the Act Against Unjustifiable Premiums and Misleading Representations, the Act on Specified Commercial Transactions, the Act on the Protection of Personal Information, the Act on Establishment of Enhanced Environment for Youth' s Safe and Secure Internet Use, the Payment Services Act, and the Food Sanitation Act, and procedures and guidelines from supervisory government agencies. There may be changes to royalties paid to copyright organizations or holders of neighboring rights or the terms and conditions of licenses on music copyright, or new licensing other than the music copyright may be necessary. CyberAgent' s business may be subject to new restrictions, and business performance and future business expansion may be impacted as a result of the enactment or revision of rules and regulations, or the formulation or revision of new guidelines or voluntary-regulatory rules. In addition, third parties who have suffered damage or loss from illegal acts within our services may file lawsuits against us as the service operator to claim damages.

## Regarding information security risks

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There are risks of the leakage of important data, the unauthorized falsification of computer programs and system failure due to such occurrences as remarked below. Defect in computer systems, deterioration in existing security measure, malware or computer viruses, an unauthorized access to computer networks, an error of executive, employee, or business partner, natural disaster and temporary overload by the increase of access. It may result in a third party' s claim for damages, fallen credibility of CyberAgent, and affecting the business performance and financial condition of CyberAgent.



## Regarding risks from managing personal information

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CyberAgent holds personal information obtained through businesses such as our internet media business, and manages that information in keeping with the Privacy Policy prepared in accordance with the Act on the Protection of Personal Information. If personal information is leaked or an issue arises in the process of collecting personal information due to events such as a computer system defect, compromised existing security measures, malware or a computer virus, unauthorized access of a computer from an outside source, an error by an executive, employee, or business partner, natural disaster, or sudden mass network access, CyberAgent may incur damage due to a claim against us or a deterioration of trust in CyberAgent, or our business performance and financial standing may be impacted.

## Regarding risks related to intellectual property rights

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CyberAgent makes efforts to protect our intellectual property rights that accompany technological innovations in the internet industry and the expansion of our intellectual property rights business, and reinforces awareness of our intellectual property rights and our internal management structure so that our officers and employees do not violate third party intellectual property rights. However, if a third party files a lawsuit against CyberAgent Group regarding intellectual property right infringement or CyberAgent Group receives a claim to stop using the intellectual properties based on the content of the intellectual property rights held by the third party, extensive funds and time may be required until that situation is resolved, and CyberAgent Group's performance and future business expansion may be impacted.

## Regarding risks related to natural disasters

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If there is an event such as a natural disaster (including an earthquake or a typhoon), or a terrorist attack, CyberAgent's business may be greatly impacted or fall into a state of confusion. If there is a natural disaster or similar event, CyberAgent will make efforts to appropriately and promptly carry out emergency measures or restoration measures. However, we do not guarantee that the impact of any interruption to or termination of the computer system due to a natural disaster or similar event can be completely prevented, and business activities may be impacted, our brand image may be harmed, or there may be physical or damage injury as a result of that event. Further, our base and the computer network infrastructure are concentrated in a certain area according to the services. Therefore, if a natural disaster or similar event occurs at that location, there may be significant damage and our performance and future business expansion may be impacted.

## Regarding the risks in future business operation

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The business model of CyberAgent has contact points with both internet users and advertisers. In order to expand our business in rapidly growing internet industry, we need to bear additional investment in recruiting new personnel, improving equipment, developing businesses, etc. and it would take some time to earn stable profits from these businesses. In addition, our profitability may decline due to price-cutting competitions and the cost for increasing users will augment for gaining an advantage over competitors.

Moreover, when operating overseas businesses, we may not be able to cope with potential risks regarding the laws, regulations, politics, social situations, exchange rate fluctuations, and competitive environments in respective countries. Since CyberAgent offers Internet media services targeted at general consumers, CyberAgent may suffer an unexpected reputational damage. This would degrade our brand image, and affect our business performance.

## Regarding the risks in the Internet media and game business

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We operate a wide array of contents and services on the internet, including "AbemaTV," blogs, social media, games, videos, music, and informative websites. We plan to increase and retain users, by developing new contents, enriching the functions of existing services, stabilizing our business operation, and so on. However, if we cannot offer attractive contents and services liked by a broad range of users, the business performance and future business operation of CyberAgent may be affected.

Our company takes various measures when necessary, for the purpose of promoting the sound development of markets related to the usage of games incorporate with industry groups. However, if system adjustment and improvement or an unexpected event occurs, the business performance and future business operation of CyberAgent may be affected.

Our Internet media business offers services in accordance with the contracts with the card companies, platform operators, telecommunications carriers, etc. If there are changes in technical specifications, revisions to contracts, cancellation of contracts, or other unexpected events, the business performance and future business operation of CyberAgent may be affected.

## Regarding the risks in the Internet advertising and Ad Tech Businesses

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The Internet Advertisement Business may be affected by business trends, including the reduction of Ad costs by advertisers. In addition, we may have to fulfill the obligation to pay additional Ad fees to the media because of the worsening the financial standings of advertisers, the wrong distribution of Ads etc.

If we become unable to procure ad spaces or products due to the discontinuance of transactions with media firms or if the conditions for transactions are changed, or if our profitability decline due to an intensifying price-cutting competitions, the business performance of CyberAgent may be affected.

In the Ad Technology, if new technologies or methods for advertisement are invented, the competitiveness of services we offer may decline considerably. The As for the advertising utilizing ad technology for smart devices, there are possibilities that the changes to the regulations, guidelines for the providers of OS for smart devices and its functions will affect the business performance and future business operation of CyberAgent.

## Regarding risks related to investment development business

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Public companies that we invest in may see a decrease in the gain on valuation or an increase in the loss on valuation due to share price trends. In addition, investments may not be collectible due to future performance by the companies that we have invested in, and CyberAgent Group's profit and loss may be impacted.

Unlisted companies may experience a deterioration in performance due to uncertain factors in the future, and CyberAgent's performance, financial standing, and future business expansion may be impacted.

## Regarding the risks related to the EC business

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As CyberAgent operates E-commerce businesses, we manage product control systems, and sign contracts with suppliers thoroughly, but if the product we sold goes against the law or has defects, producing problems of safety, etc., we may become liable for damages.

## Regarding risks related to sporting business

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CyberAgent carries out sporting business, including the operation of sporting exhibits and events, and in the case of sporting exhibits, there may be an accident due to attendance by a large number of spectators. The necessary prevention measures are taken, but CyberAgent Group's performance may be impacted due to incidents of liability for damages or a loss of confidence.

## Regarding risks related to M&As

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CyberAgent attaches great importance to diversification of earnings through entry into and strengthening of business peripheral to "AbemaTV," and entry into and strengthening of new business fields, such as business that utilizes resources and know-how of existing business. One method to achieve that is to strengthen investments and lending, including M&As. The target business is investigated in detail beforehand as much as possible, and once the risk is sufficiently considered, the M&A is proceeded with. However, if there are issues in the prior investigation, such as being unable to ascertain unrecognized debt or contingent liability post-acquisition, or post-acquisition business expansions do not proceed as planned, CyberAgent's performance, financial standing, and future business expansion may be impacted. In addition, if new areas of business are added to our group through M&A or similar means, risk factors specific to those businesses will be taken on by CyberAgent.

## Regarding risks related to food and beverage business

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CyberAgent operates restaurants and has thorough quality control and hygiene management. However, if a food related incident arises due to certain circumstances, CyberAgent Group's performance may be impacted due to incidents of liability for damages or a loss of confidence.

# Information Security

CyberAgent has formulated an Information Security Policy and Initiatives to Protect Personal Data (Privacy Policy) in order to handle the extensive user and client information generated from service operations, and protects and appropriately manages information assets.

As a company that provides several internet services, CyberAgent recognizes the importance of information security and has accordingly established an information security system run by our company-wide IT Security Office. We have also registered as a member with the Nippon CSIRT Association and continue to strengthen security measures through close collaboration with other companies.

- **Establish a monitoring system against external attacks**
- **Compile a summary of efforts on information security**
- **Implement and operation risk management and response measures**
- **Collect information on incidents and provide follow-up**
- **Implement security training for staff**



▲ Security officers from each department gather in the IT Security Office

## Background of the members that make up the IT Security Office

Media Business, Game Business, Internet Advertising Business, Company-wide System, Legal Affairs, Public Relations, Offices, Internal Audit, Subsidiaries, Security

ESG

## Corporate Social Responsibility

With taking advantage of our services and accumulated know-how, we fulfill our social responsibility and make the efforts to enable the creation of social value in a variety of fields.



CyberAgent is committed to sound management of all media services we operate in order to protect underage users and to provide a safe and secure environment for all people who use our services.

## 24/7/365 monitoring system

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We operate a stringent 24/7/365 services monitoring system to detect and eliminate any users who use the service for malicious purposes.

We have also introduced a user reporting system, and promptly investigate anytime we receive reports of suspicious users. If we find that the a user is in violation of our terms of service we take immediate action that includes issuing a warning or canceling the user's account.

Target services:  
Ameba, Ameba Pigg, Tapple, etc.

## Age verification with government issued ID

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For our dating app, we accept only government-issued ID to verify the age of users before they are permitted to use services such as message exchange, contacting features, etc.

Examples of acceptable ID includes a Driver 's License, National Health Insurance Card, Employees' Health Insurance Card, Mutual Aid Association Card, Pension Handbook, Passport, Alien Registration Certificate etc.

Target services:  
Tapple, etc.

## Feature restrictions for underage users

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Based on date-of-birth information entered at the time of registration, we have measures in place to protect underage users, such as restricting communication functions or setting purchase limits.

Target services:  
Ameba, Ameba Pigg, etc.

## A monitoring system that ensures reliable delivery

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A new monitoring system was introduced in September 2016, and we implement 24/7 services monitoring in order to further boost the reliability of our services delivery.

Also, in the event of a disaster or emergency, we strive to continuously deliver reliable content to fulfill our role as a modern information infrastructure in the era of the internet.

Target services:  
AbemaTV

## CSR

# Safe and Secure Services

Advertisement

### Compliance Bureau

In order to improve the sales management quality of business divisions and subsidiaries responsible for expanding our advertising business, we constantly review the administrative flow, including checking consistency, as well as make efforts to strengthen coordination among the group in terms of know-how and knowledge.

We also conduct advertising reviews to ensure that the content of the ads proposed to us are in full compliance with laws, regulations, and JIAA (Japan Interactive Advertising Association) guidelines, and also in line with public order and morals.

### Advertising Compliance Committee

With the goal of improving the integrity and safety of advertisements, this committee is committed to solving problems with a cross-section of members from the Advertising Business Department and Legal and Compliance Office.

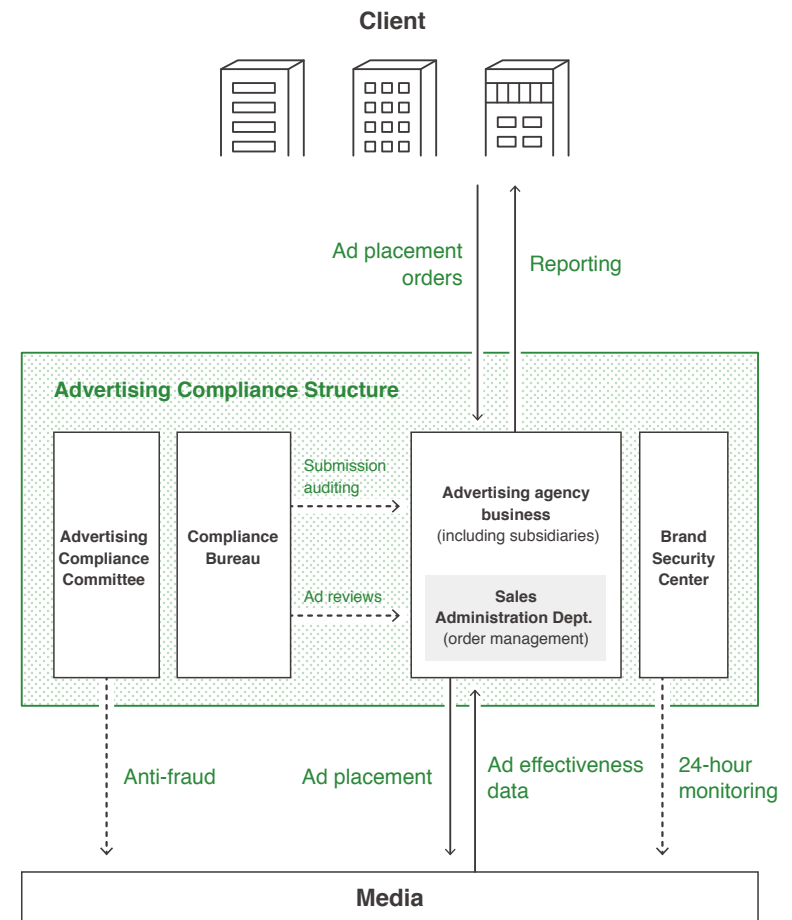
The committee takes advantage of the group's collective knowledge in a variety of issues related to advertising quality, including with measures to protect against piracy and illegal sites, ensure brand safety, and prevent ad fraud.

### Brand Security Center

To ensure that our customers can feel confident in advertising with us, in June 2017 we established the "Brand Security Center," a group dedicated to monitoring brand safety 24 hours a day 365 days a year.

CyberAgent Brand Security minimizes advertisement opportunity losses while simultaneously preventing damage to our advertisers brand value. By doing this, CyberAgent maintains outstanding advertising quality while pursuing maximum advertising effectiveness.

In our advertising business, CyberAgent has been focused on improving our advertising-related compliance structure since 2017. As a leading internet advertising company, our goals are to promote sound and transparent advertising transactions, and to be an advertising agency whose customers can feel confident in placing ads with.



## CSR

# Safe and Secure Services

Game

### Money spending alerts

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Money spending alerts are issued to users when the amount of money spent on in-game purchases has reached the amount set for each month, thereby preventing excess purchases and usage.

\*Alert amount set differs by game.

### Display of distribution rates (also known as "drop rates") of each obtainable random in-game item

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In accordance with the "Operating Guidelines for Random Item Distribution in Network Games" established by the Computer Entertainment Supplier's Association ("CESA"), CyberAgent displays the distribution rates (also known as "drop rates") of each obtainable random in-game item to increase transparency. In addition, we disclose information more simply and clearly by displaying modified distribution rates if they are modified for a special event.

### In-game patrols

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CyberAgent prohibits the advertising, announcing, or soliciting of RMT (Real Money Trading) with other users, as well as RMT involving the buying or selling of game IDs or game items in exchange for money or anything of monetary value. If such acts are discovered, we will take action in accordance with each game's usage policy, including the suspended use of all or part of a game, or cancellation of the user's account.

Voluntary patrols help ensure a safe and secure gaming environment for all users by monitoring whether games are being operated properly, watching for unacceptable activities such as RMT, and checking whether posted comments violate rules.

In all games we operate, CyberAgent is committed to protecting young users, and providing fun games in a safe and secure environment for all people who use our services.

### Spending limits for minors

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We limit the monthly spending amount of minors. By limiting the maximum spending amount users for age 15 or under to 5,000 yen and ages 16–19 to 10,000 yen, we protect users by ensuring that minors are unable to spend excessive amounts.

### Prohibition Real Money Trade (RMT)

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In all games we provide, CyberAgent prohibits the advertising, announcing, or soliciting of RMT (Real Money Trading) with other users, as well as RMT involving the buying or selling of game IDs or game items in exchange for money or anything of monetary value. If such acts are discovered, we will take action in accordance with each game's usage policy, including the suspended use of all or part of a game, or cancellation of the user's account.

### Thorough compliance with game related laws and regulations

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In order to ensure that users can enjoy games in full confidence of their safety, we have established acceptable use policies for each game and also take steps to promote awareness on our official website and in-game.

### Games operated in accordance with CESA's "Operating Guidelines for Random Item Distribution in Network Games"

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Games are operated in accordance with the "Operating Guidelines for Random Item Distribution in Network Games" which have been established by the CESA

Applies to:

CyberAgent, Inc., Cygames, Inc., Applibot, Inc., GCREST, Inc., Sumzap, Inc., Grence, Inc., Griphone, Inc., Goodroid, Inc., Craft Egg, Inc., QualiArts, Inc.

We will continue to take appropriate action as necessary for games provided by the above companies.

## CSR

# Social Initiatives: Contributing to Local Communities

### Contribution to local communities

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In 2018 we launched "SHIBUYA BIT VALLEY," a project aimed at making Shibuya an international hub of technology in the IT field.

"BIT VALLEY 2018" was also held in September as a first-year effort. This tech conference brought together some 1,000 young engineers in the IT industry as well as students aspiring to be engineers. CyberAgent has provided support to help as many engineer-aspiring students as possible participate in the conference by providing transportation expenses to 102 students living outside the metropolitan area.

With the shortage of IT talent in Japan becoming a social problem, CyberAgent is dedicated to bolstering Shibuya's IT community and promoting interaction with this tech conference playing a central role.



▲ Tech Conference "BIT VALLEY 2018"



## CSR

# Social Initiatives: Fostering IT Talent

### Fostering IT Talent

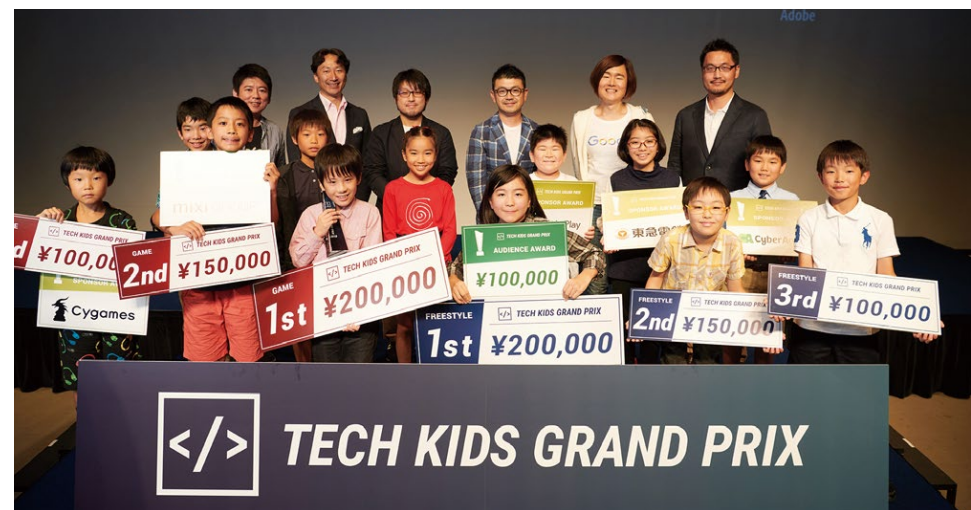
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With the aim of developing the talent to lead the 21st century with IT, in May 2013 we established "CA Tech Kids" in a joint venture with Life is Tech, Inc. to offer programming education to elementary school students. Through the implementation and operation of the programming school "Tech Kids School" and introductory programming workshop "Tech Kids CAMP," we have provided programming educational opportunities to over 30,000 elementary students in just five years.

Our efforts go beyond just helping kids acquire IT programming knowledge and skills; we are also fostering the skills to design, realize an idea, and make forward progress in our aim to encourage the development of "talent capable of using technology as a tool to realize their own ideas and actively engage in society."

CA Tech Kids also carries out activities that promote the introduction and popularization of learning programming skills in public education. These activities include outreach programming classes at primary schools, policy recommendations on programming education, collaborative efforts with government, and more.

From a desire to provide programming education opportunities to all children regardless of economic or geographic situation, we have been visiting schools and municipalities across Japan to implement outreach programming classes. In November 2015, we also held outreach programming classes in Rikuzentakata city (Iwate prefecture) and Iwaki city (Fukushima prefecture), areas affected by the Great East Japan Earthquake.



▲ "Tech Kids Grand Prix" programming contest held in 2018

## CSR

# Social Initiatives: Creating Job Opportunities

### Aggressive Investment in Talent

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CyberAgent is promoting employment in rural areas through the establishment of local subsidiaries. Offices in Okinawa and Sendai employ 843 people who are engaged in monitoring the comments on our smartphone service, Ameba, and operating internet advertisements as part of our internet advertising business. (As of the end of September 2018)

Since 2016, we have also been stepping up the hiring of students from regional universities. CyberAgent has held outreach seminars, consultations, and local employment screening at regional universities and has launched hiring activities in all 47 prefectures across Japan. Since 2017, we have also posted online videos of company information sessions.

### Proactive Employment of Persons with Disabilities

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In 2007, we launched subsidiary CyberAgent Will, Inc. based on the 'Act on Employment Promotion of Persons with Disabilities' to proactively employ persons with disabilities. Through participation in joint explanatory meetings and interviews at various locales, we have enhanced recruitment abilities and systematically expanded employment opportunities. As a result of proactively employing disabled persons who possess high-level computer operating and technical skills, we successfully achieved the mandatory employment rate of 2% by June 2018.

We currently employ 83 persons with disabilities who function in a variety of roles such as data entry and other operational work, in-house physical therapists, etc. (As of the end of September 2018)



▲ Okinawa office

## CSR

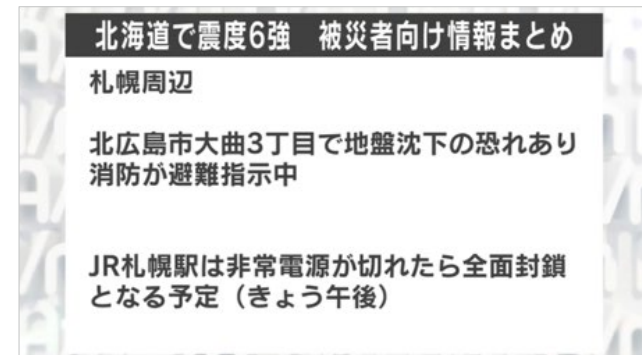
# Social Initiatives: Enhancing the Information Infrastructure



Instant posting of disaster information

## Enhancing "AbemaTV" Content

Launched in April 2016, the internet TV station "AbemaTV" allows users to browse the latest news and information for free on their smartphone. Continuing to grow in popularity, "AbemaTV" delivers services to smartphones — which people carry ubiquitously these days — and also provides notifications 24-hours-a-day in real time in the event of a disaster, such as early earthquake warnings. By doing this, we are pursuing business initiatives that recognize the importance of its role in society as new information infrastructure in the age of internet.



Disaster emergency information summary was broadcast in text for disaster-affected persons during an Intensity 6 earthquake in Hokkaido.

© AbemaTV

## CSR

# Social Initiatives: Supporting Sports

Through its support of sports, CyberAgent aims to expand sports culture, develop human resources, and contribute to local communities.

### Football

In October 2018, the Japan Professional Football League Club "FC Machida Zelvia" became part of CyberAgent Group. FC Machida Zelvia began in 1977 when a local boys' football team for elementary school students was formed in Machida City, Tokyo under the motto of "Born in Machida, Raised in Machida, from Machida to the World." After participating in the national championships, a junior youth team (U15) and a youth team (U18) were formed, which was followed by the formation of a top team then established in 1989.

Similarly to the club, CyberAgent has also long focused efforts on recruiting, developing, and activating human resources. From the standpoint of

"developing human resources," there is a strong affinity between the ideologies of CyberAgent and FC Machida Zelvia that led to the club being brought into the group. Both companies share the common goals of obtaining a J1 license as quickly as possible, and by embarking on building the necessary infrastructure for that, growing FC Machida Zelvia into a top club born in Machida, Tokyo and recognized around the world.

Since July 2017, Cygames, Inc., a subsidiary company of CyberAgent, has also been sponsoring Juventus F. C. (Juventus Football Club S. P. A.), an Italian pro soccer league that plays in Serie A.

### Golf

Since 2018 AbemaTV, Inc. has been sponsoring the AbemaTV Tour, which is a domestic mens golf lower-level tour. With the goal of fostering young golfers, discovering raw talent, and attracting a viewing audience of wide demographics, we have been holding tournaments that incorporate the unique strategies of "AbemaTV".



## Our commitment to environment

CyberAgent is making efforts to reduce environmental burdens and maintain optimization in its operations to contribute to preserving the global environment and achieving a sustainable society.



**SAVE ELECTRICITY**



**RECYCLE**



**PAPER LESS**

# Environment

## Promotion of Digitalization

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CyberAgent is working on digitalizing internal documents, including cost calculations, invoices, and received faxes to reduce the amount of paper used in the office. By developing and providing "GEPPPO," a tool to assess employee conditions and promoting digitalization of various kind of documents related to business transactions, we create an environment where each employee can focus on their primary duties by preparing an internal system.

## Conversion of Studio Lights into LED

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CyberAgent reduces the environmental burden by saving energy. An example is to adopt LED lights for the studio that "AbemaTV" uses for shooting. LED emits less harmful rays, such as heat rays and UV, and will also lead to cutting down stress found in shooting, like heat factors.

## Security Protection and Recycle

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Documents in the office are destroyed using an exclusive recycling trash bin (Mamoru-kun) (Japan Purple Inc.) which maintains confidentiality and recycling. In FY2017, it contributed to saving 1,775.29 trees and around 51,146.3kg (12% down compared to the same period previous year) in carbon dioxide emissions annually.