

Last Update: March 26, 2021

GMO Internet, Inc.

Masatoshi Kumagai

CEO, Chairman of the Board and

President, and Group CEO

Contact: Yuki Kawasaki,

Director and Head of Group Legal Dept.

Securities code: 9449

<https://www.gmo.jp/>

The status of corporate governance of GMO Internet, Inc. (the “Company”) is described below.

I. Basic Views on Corporate Governance, Basic Information on Capital Structure, Corporate Attributes and Other Matters

1. Basic Views

The Group’s mission is to contribute to the cultivation of Internet culture and the industry, to inspire customers and make them smile, and to make a contribution to society and its people based on its management philosophy “Internet for Everyone.” In addition, the Group has enshrined its Spirit Venture Declaration—which embodies the spirit in which it was founded—into the Articles of Incorporation, in order to clarify the basic principles of its business activities.

In this context, in order to gain the trust and meet the expectations of all stakeholders including not only our shareholders and creditors but also our customers, business partners and employees, the Company places importance on corporate governance and, while improving management soundness and transparency, strives to carry out agile management decision-making and proper business operations in an aim to increase the Company’s corporate value on an ongoing basis.

The Group has established the Group’s code of conduct while respecting the independence of Group companies, and our Directors and employees are making continuous efforts to maintain and improve their awareness of laws and regulations, social norms, ethics, etc.

Furthermore, an executive meeting comprised of persons responsible for departments of the Company and officers of Group companies is convened in principle on a weekly basis, and efforts are made to enhance Group governance by confirming the administrative structure, sharing information across the Group, and understanding the status of each business.

The Company adopts an organizational structure of a Company with Audit and Supervisory Committee. The Company strives to ensure objectivity of the structure by appointing three independent directors out of four Directors who are Audit and Supervisory Committee Members, and designs it so that the monitoring functions of Audit and Supervisory Committee Members including External Directors can be sufficiently demonstrated.

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

[Supplementary Principle 4.1.2 Mid-term business plan]

[Principle 5.2 Targets for earnings power, capital efficiency, etc.]

The Company neither formulates nor publishes a mid-term business plan, based on its view that in a rapidly-changing Internet industry, the validity of a mid-term business plan would be limited even if time and effort are spent on its formulation, and that numerical targets contained therein may likely mislead shareholders and investors.

As it is difficult to forecast business results because of our Internet Finance and Cryptocurrency businesses that are affected by market volatility, such as the economic conditions and the financial market, we no longer disclose our guidance from the fiscal year 2018. On the other hand, the Company develops a single-year business plan and explains policies based on this business plan to shareholders and investors at the financial results briefings and on other such occasions.

Furthermore, the Company has in place a monitoring function that involves sufficient analysis and evaluation on a weekly basis of discrepancies between a single-year business plan and actual results at the Group executive meeting consisting of Directors and senior management. The Company conducts analysis and takes measures as appropriate through such monitoring, and the highly effective execution of the business plan translates into the Company's growth.

[Principle 4.2.1 Remuneration linked to mid- to long-term results]

In the ever-changing Internet market environment, even if the Company sets the remuneration linked to mid- to long-term results, there is a limit to usefulness. For this reason, regarding compensation amount of each director, we have adopted a system that automatically sets the standard compensation amount based on the result of evaluation from various perspectives not only the level of achievement of numerical targets and dividend targets - such as net sales, operating profit, dividend amount, per capita net profit, net sales growth rate, and profit growth rate - and quantitative targets - such as customer retention rate and employee retention rate - that the Company sets in each period but also the level of achievement of qualitative targets, the foundation of which is formed by the Venture Spirit Declaration. Furthermore, the Company adopts a remuneration system that increases or decreases the standard remuneration amount of each director within the range of 20% depending on the level of achievement of the individual performance targets set in each period for each director. If the Company does not achieve performance targets, there is a rule that requires directors to propose voluntarily reduction of their compensation by a certain amount, and the Company will not provide bonuses to directors. On the other hand, when performance targets are achieved, the Company will provide bonuses to directors as additional remuneration depending on their results. Details of the individual performance targets set for each director and the actual compensation amount provided to each director by the Company for the given fiscal year are disclosed to all Members of the Board and all employees, so transparency is ensured.

The Company determines remuneration amount of each director based on a remuneration system linked to the level of achievement of performance targets and other such factors, including performance figures, so as to provide a healthy incentive for sustainable growth.

[Principle 4.10.1 Utilization of arbitrary advisory committee]

We adopt a 360-degree director evaluation system. Candidates for the Board of Directors are proposed by the senior management of the Group based on the result of evaluation from various perspectives. We adopt a system that automatically sets the standard compensation amount based on the result of evaluation from various perspectives not only the level of achievement of numerical targets and dividend targets - such as net sales, operating profit, dividend amount, per capita net profit, net sales growth rate, and profit growth rate - and quantitative targets - such as customer retention rate and employee retention rate - but also the level of achievement of qualitative targets, the

foundation of which is formed by the Venture Spirit Declaration. The Company determines the compensation amount of each director following the involvement of external directors. We do not allow arbitrary operation of the system by directors.

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

[Principle 1.4 Cross-shareholdings]

The Company makes investments solely for the purpose of pure investment, and does not have a policy to hold shares for cross-shareholding.

In cases where the Company invests in shares, the Group Investment Strategy Office takes charge of cases involving alliances and minority investment cases.

Whether or not to make investments will be determined after careful deliberation at the meeting of the Board of Directors or the Management Council depending on the qualitative and monetary materiality of each case, taking into account detailed examination by the department.

[Principle 1.7 Related party transactions]

In cases where the Company is to perform transactions with officers, major shareholders, etc. (“related party transactions”), a meeting body whose members consist of Directors, etc. decides on whether to submit a proposal for approval of the transaction to the Board of Directors, and as necessary, seeks opinions of an internal committee (members of which consist of External Directors, etc.) or a third-party committee (members of which consist of lawyers, etc.). When a related party transaction is subject to a resolution for approval at the meeting of the Board of Directors, any Director who is related to such transaction may not participate in the resolution on the ground of being a person with special interest, and therefore is not included in the quorum. Going forward, the Company will disclose its efforts to monitor related party transactions.

[Principle 3.1 Full disclosure]

(1) Management philosophy, etc.

Since 1995, the Company has been providing various Internet-related services, driven by its desire to “deliver the convenience, joy and possibilities of the Internet to as many people as possible” based on its corporate statement “to become Japan’s leading comprehensive Internet service group.” Also, the Group has formulated the Spirit Venture Declaration, which represents the spirit it has cherished since its foundation, and makes the Declaration widely known and shared among all officers and employees of the Group.

The Spirit Venture Declaration can be found on the Company’s website.
(<https://www.gmo.jp/company-profile/concept/sv/>)

(2) Basic views and guidelines on corporate governance

The Company’s mission is to contribute to the cultivation of Internet culture and the industry, to inspire customers and make them smile, and to make a contribution to society and its people under its corporate slogan “Internet for Everyone.”

In addition, the Company has enshrined the GMO Internet Group Spirit Venture Declaration (“Spirit Venture Declaration”)—which embodies the spirit in which it was founded—into the Articles of Incorporation, and treats the Declaration as the basic principles of its business activities. Based on the Spirit Venture Declaration, in order to gain the trust and meet the expectations of all stakeholders including shareholders, customers, business partners, creditors and staff members, the Company places importance on corporate governance and, while improving management soundness and transparency, strives to carry out agile management decision-making and proper business operations of the Group in an aim to increase the Company’s corporate value on an ongoing basis.

Further, we regard speedy management by a flat organization to be effective in a fast-growing Internet market, and place the concept of “distribution of authority” at the basis of Group management. In this context, the Spirit Venture Declaration serves as the Group’s code of conduct, while we also respect the independence of each Group company, and the Company’s Directors and staff members also make continuous efforts to maintain and improve their awareness of laws and regulations, social norms, ethics, etc.

The details of the basic views and guidelines on corporate governance can be found in the “Corporate Governance Policy” posted on the Company’s website (<http://ir.gmo.jp/>).

(3) Policies and procedures in determining the remuneration of the senior management and Directors

The committee consisting of several Members of the Board who volunteered to become the committee members discuss whether a remuneration package for Directors is a fair compensation structure that places importance on the Company value and the shareholder value or the necessity to revise the current system. All directors including three external directors who are independent officers finalize or revise the system established by the committee that has developed a remuneration package for Directors at the Board of Directors meeting after sufficient deliberation of the results of discussions among the committee members while fully respecting them. All Group companies have also adopted the said remuneration package for Directors. In addition to excluding arbitrariness from the remuneration system to ensure fairness, the annual amount of remuneration for all Members of the Board is disclosed to all officers and employees of the Group, thereby monitoring whether the treatment is fair and based on the professional responsibilities of Directors and the results.

Compensation of director comprises basic remuneration and variable remuneration.

Base Salary

- 1) Quantitative items for the achievement of each year’s performance targets: performance figures such as net sales, ordinary profit, dividend, etc.
- 2) Quantitative items that promote sustainable growth: growth in net sales, ordinary profit, etc.
- 3) Quantitative items the Company has been working on in the mid-term: customer retention rate, employee retention rate, etc.

The base amount of the remuneration by position, the standards of which are established in advance, is decided based on the above three metrics and multifaceted evaluations.

Variable remuneration

The Company has adopted a fair remuneration system based on performance, professional responsibilities, and the results of each Director, by evaluating each Director individually based on action metrics, figures linked to the earnings in the department that a given Director is taking charge of, etc. in accordance with professional responsibilities of the Director in a given fiscal year, and by increasing or decreasing a variable remuneration within a range of 20% above or below the basic remuneration.

For decisions on policies regarding determination on the amount of the compensation, etc. of the Company's Members of the Board or its computation method, the Committee establishing a remuneration package for Directors develops management guidelines as a result of designing, discussing, or revising the plan, compensation amount is calculated for each individual director pursuant to management guidelines, and the authority for deciding on the amount of remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members) is delegated to the Board of Directors by the General Meeting of Shareholders. The authority for deciding on the final compensation amount for each individual director is delegated to the Representative Director by the Board of Directors, who may make a minor adjustment that takes into account the calculation of compensation amount pursuant to the management guidelines. Audit and Supervisory Committee has the authority

for deciding on the amount of compensation payable to members of the board of directors who are Audit and Supervisory Committee Members.

(4) Policies and procedures for the appointment of the senior management and the nomination of candidates for Directors

Nomination of a Director assumes self-nomination by each individual and is decided at the Board of Directors meeting taking into consideration the quality, attitude, administrative capability, etc. as a Director, and after sufficient deliberation by all directors including three external directors who are independent officers. For example, in addition to fully utilizing the results of a 360-degree director evaluation questionnaire survey targeted at all Members of the Board of the Group, the nominee should be capable of embodying the Venture Spirit Declaration, which embodies the spirit in which the company was founded. In this 360-degree director evaluation questionnaire survey, all Members of the Board of the Group vote whether to recommend a given person as a candidate for the Board of Directors for the next fiscal year. If this does not fulfill certain requirements, a decision on whether to nominate the given person as a candidate to be reappointed will be made upon consultation with all Members of the Board of the Group.

Nomination of a Director is decided by taking into consideration clear factors established by the Company, and we exclude arbitrariness from the human resource systems pertaining to directors of the Company.

(5) Explanations with respect to individual nomination and appointment upon appointment of candidates for Directors

For the reasons for the nomination of External Directors, please refer to the Reference Documents for the following Notices of the Annual General Meeting of Shareholders:

Notice of the FY2020 Annual General Meeting of Shareholders

https://ir.gmo.jp/en/pdf/shareholder/gmo_shareholder_20210320_01_e.pdf

Notice of the FY2019 Annual General Meeting of Shareholders

https://ir.gmo.jp/en/pdf/shareholder/gmo_shareholder_2020330_01_e.pdf

Notice of the FY2018 Annual General Meeting of Shareholders

https://ir.gmo.jp/en/pdf/shareholder/gmo_shareholder_h310321_01_e.pdf

[Supplementary Principle 4.1.1 Overview of the scope of matters delegated to the management]

The Board of Directors makes decisions on matters prescribed by laws and regulations or the Articles of Incorporation, matters delegated by a resolution of the General Meeting of Shareholders and other important matters such as the Group's management policy and management strategy, as well as oversees the business execution of the Company and the Group as a whole.

As a specific standard for determining matters to be submitted to the Board of Directors, the Rules of the Board of Directors prescribes the monetary standards, etc. and clarifies the scope of decision-making. The Board of Directors delegates the authority of decision making on matters other than those to be decided by the Board of Directors to the Management Council, Representative Director, etc. in accordance with the standards prescribed in the Management Council Regulations and other internal rules.

[Principle 4.8 Effective use of independent directors]

Independent directors, based on their standpoint of independence, fulfill their oversight function over business execution, advisory function and oversight function over conflict of interest matters, and reflect stakeholders' opinions at the meetings of the Board of Directors, in an effort to enhance corporate governance.

- (1) Independent directors exchange information and share views on management of the Company with Audit and Supervisory Committee Members.
- (2) Independent directors request the provision of information as necessary in order to fulfill their roles.
- (3) The status of concurrent positions held by independent directors is stated on the corporate governance report and the Notice of the Annual General Meeting of Shareholders.

[Principle 4.9 Independence standards and qualification for independent directors]

- (1) Independent directors are appointed based on independence requirements stipulated under the Companies Act and independence requirements formulated by the Company.
- (2) The independence requirements are formulated by the Board of Directors subject to deliberation by the Audit and Supervisory Committee Members, and are published in the corporate governance report, etc. The details of the independence standards prescribed by the Company can be found in the "Corporate Governance Policy" posted on the Company's website (<http://ir.gmo.jp/>).

[Supplementary Principle 4.11.1 Views on the balance of knowledge, experience and skills of the Board of Directors, and on diversity and size of the Board of Directors]

Under our corporate philosophy of Venture Spirit Declaration, which states that "We do not tolerate prejudice on the grounds of race, nationality, gender, educational background, language, religion, or any other factors. We value people for their ability and merits," human resources with diverse skills, insight, and experience show their abilities at the Company. Upon the appointment of Internal Directors, the Company appoints persons with specialized knowledge of business segments and business administration and with diverse background from within the Group, based on the criteria and selection method unique to the Company. For the appointment of External Directors, persons with a high level of expertise such as lawyers and Certified Public Accountants are appointed, thereby realizing balance and diversity in the composition of the Board of Directors as a whole in terms of knowledge, experience, and skills. In addition, the Company believes that, for the purpose of holding effective discussions while ensuring balance and diversity in terms of knowledge, experience and skills for Group management, the appropriate number of Directors would be up to 19 persons, and up to 7 persons for non-executive Directors who are Audit and Supervisory Committee Members, and has stipulated in the Articles of Incorporation to that effect.

[Supplementary Principle 4.11.2 Status of concurrent positions held by Directors as officers of other listed companies]

The Group is a comprehensive Internet services group that includes ten listed companies, and officers of the Company concurrently serve as officers of Group companies to realize appropriate consolidated Group management.

Director's concurrent position as officers at other companies is accepted only when the Board of Directors deems that holding concurrent posts will contribute to positive development of the other company at the same beneficial to the Company. The Company thus has in place a framework to ensure that the Company's Directors can concentrate on the duties of the Company.

The status of concurrent positions held at other companies by Directors including External Directors is disclosed annually in the Reference Documents for the General Meeting of Shareholders, Business Report and securities report.

Reference Documents for the Annual General Meeting of Shareholders and Business Report
(<http://ir.gmo.jp/stock/shareholder/>)

Securities report

(<http://ir.gmo.jp/financial/securities-report/>)

[Supplementary Principle 4.11.3 Analysis and evaluation of effectiveness of the Board of Directors as a whole]

At the Company, the Board of Auditors (the Audit and Supervisory Committee since March 21, 2016) has played a central role in analyzing and evaluating the effectiveness of the Board of Directors in a timely manner, and has endeavored to improve the functions of the Board of Directors. In the future, the Company will further look into the method of analysis and evaluation including the introduction of self-evaluation by Directors as well as the disclosure of the summary of the results of such analysis and evaluation.

[Supplementary Principle 4.14.2 Policy for training to Directors]

The Company's policy for training to Directors is based on the idea that each officer, as a professional of management, must endeavor to gain necessary knowledge and brush up one's skills at one's individual discretion, and thereby deepen and share knowledge and skills through in-depth discussions at the meetings of the Board of Directors and the Management Council.

Future candidates for Directors are given opportunities for training to gain necessary knowledge and understand the roles and responsibilities required by Directors by such means as attending the meetings and participating in discussions of the Board of Directors and the Management Council. The Company also provides training to each officer by inviting external specialists.

[Principle 5.1 Policy for constructive dialogue with shareholders]

(1) Basic views

For the sustainable growth and increase of corporate value over the mid- to long-term, the Company believes that it is important not to generate a gap between the top management of the Company and capital markets in the understanding of the Company's situation, and therefore holds constructive dialogues with shareholders and investors on an ongoing basis.

To bring about such dialogues, the Company has in place an investor relations structure centering on the Director in charge of investor relations (currently the Deputy CEO), and proactively creates opportunities to hold dialogues with shareholders and investors. In engaging in dialogues with shareholders and investors, the Company makes it a basic policy for the members of the top management to provide explanations in their own words and to also respond to questions in person in Q&A sessions.

(2) Designation of a director who oversees the overall dialogues with shareholders and measures for positive collaboration among internal departments to support dialogues

The Director in charge of investor relations oversees dialogues with investors and shareholders, while taking charge of the Group Finance Department, the department in charge of investor relations, in an effort to promote departmental collaboration on a daily basis.

(3) Means of dialogues other than individual meetings

The Company makes it a basic policy to hold a financial results briefing targeted at analysts, shareholders and investors on a quarterly basis, where members of the top management provide explanations and respond to questions in Q&A sessions, both in person. The Company provides real-time streaming in Japanese, as well as streaming of recorded video in both Japanese and English.

(4) Measures to relay shareholders' opinions and concerns

The Director in charge of investor relations periodically reports opinions and concerns gathered through dialogues with shareholders to the senior management.

(5) Measures to manage insider information

When engaging in dialogues with shareholders, in accordance with the IR Policy, information is managed properly and consideration is given so that insider information will not be conveyed to shareholders.

IR Policy (<http://ir.gmo.jp/irpolicy/>)

2. Capital Structure

Foreign Shareholding Ratio	[Updated]	30% and more
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[Status of Major Shareholders] [Updated]

Name	Number of Shares Owned	Percentage (%)
Kumagai Masatoshi Office Inc.	35,716,600	32.69
Masatoshi Kumagai	8,990,911	8.23
The Bank of New York Mellon 140051	6,887,800	6.30
Custody Bank of Japan, Ltd. (Custodial Account)	5,574,400	5.10
The Master Trust Bank of Japan, Ltd.	5,396,600	4.94
SAJAP	2,052,800	1.88
The Bank of New York 133612	1,605,200	1.47
BBH FOR BAILLIE GIFFORD WORLDWIDE/BAILLIEGIFFORD WORLDWIDE JAPANESE FD	1,375,000	1.26
Custody Bank of Japan, Ltd. (Securities Investment Custodial Account)	1,244,300	1.14
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	1,217,306	1.11

Controlling Shareholder (excluding Parent Company)	—
Parent Company	None

Supplementary Explanation

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3. Corporate Attributes

Listed Stock Exchange and Market Section	First Section, Tokyo Stock Exchange
Fiscal Year-End	December
Type of Business	Information & Communication
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Sales (consolidated) as of the End of the Previous Fiscal Year	¥100 billion or more but less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	100 or more but less than 300

4. Guidelines for Measures to Protect Minority Shareholders upon Performing Transactions with Controlling Shareholders, etc.

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5. Other Special Circumstances which may have Material Impact on Corporate Governance

The Company owns the following listed subsidiaries and listed second-tier subsidiary (“listed subsidiaries, etc.”): GMO Payment Gateway, Inc.; GMO Cloud K.K.; GMO Pepabo, Inc.; GMO AD Partners, Inc.; GMO Financial Holdings, Inc.; GMO Research, Inc.; GMO TECH, Inc.; GMO Media Inc.; and GMO Financial Gate, Inc.

The Company considers that the basis of group management is the distribution of authority based on the idea that speed is the key to win in the Internet market and speedy management through a flat organization is efficient. Upon making flexible management decisions in each area of expertise and the implementation of speedy management, above listed subsidiaries, etc. have built their competitive advantage and raised overall corporate value, leading to growth that is not buried in Group management.

In this regard, by sharing the Venture Spirit Declaration, which is the spirit in which the Group was founded, while respecting the independence of above listed subsidiaries, etc., Directors and employees maintain and enhance awareness of laws and regulations, ethics, etc. on an ongoing basis, as well as generate group-wide synergies, so as to properly return value to minority shareholders as a result of further enhancing the corporate value of the Company.

The Company, as a parent and major shareholder, always remains sufficiently vigilant to the legal compliance system of above listed subsidiaries, etc., and supports and provides advice on certain matters concerning compliance, building an internal control system, etc. if necessary and as appropriate, for the purpose of enhancement of the overall group’s corporate value.

II. Business Management Organization and Other Corporate Governance Structures regarding Decision-making, Business Execution and Oversight in Management

1. Matters Concerning Organizational Composition and Operation, etc.

Organizational Form	Company with Audit and Supervisory Committee
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[Directors]

Maximum Number of Directors Stipulated in the Articles of Incorporation	26
Term of Office Stipulated in the Articles of Incorporation	1 year
Chairperson of the Board of Directors	President
Number of Directors	21
Appointment of External Directors	Appointed
Number of External Directors	3
Number of External Directors Designated as Independent Directors	3

Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Keigo Ogura	Certified Public Accountant												
Takashi Gunjikake	Certified Tax Accountant												
Kaname Masuda	Lawyer												

* Categories for “Relationship with the Company”

* ○: The Director presently falls or has recently fallen under the category

△: The Director fell under the category in the past

* ●: A close relative of the Director presently falls or has recently fallen under the category

▲: A close relative of the Director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A person whose major client is the Company or an executive thereof

e. Major client of the Company or an executive thereof

f. Consultant, accounting expert or legal professional who receives a large amount of monetary or other property compensation from the Company other than executive remuneration

g. Major shareholder of the Company (or if the major shareholder is a legal entity, an executive of said legal entity)

h. Executive of a client of the Company (who does not correspond to any of d, e, or f) (the Director him/herself only)

i. Executive of a company that appoints an external director from the Company and from which the Company also appoints an external director (the Director him/herself only)

j. Executive of a recipient of donations from the Company (the Director him/herself only)

k. Others

Relationship with the Company (2)

Name	Audit and Supervisory Committee Member	Independent Director	Supplementary Explanation of Relationship Category	Reasons for Nomination
Keigo Ogura	○	○	—	Keigo Ogura is appointed because we have judged that he has high level of insight in corporate management based on his professional perspective of tax accounting and corporate accounting, and therefore he will appropriately execute the duties as Director (External) (Audit and Supervisory Committee Member).
Takashi Gunjikake	○	○	—	Takashi Gunjikake is appointed because we have judged that he has high level of insight based on his professional perspective of a certified tax accountant, and therefore he will appropriately execute the duties as Director (External) (Audit and Supervisory Committee Member).
Kaname Masuda	○	○	—	Kaname Masuda is appointed because we have judged that he has strong track record in corporate legal affairs based on his professional perspective as a lawyer and high level of insight in management, and therefore he will appropriately execute the duties as Director (External) (Audit and Supervisory Committee Member).

[Audit and Supervisory Committee]

Committee's Composition and Attributes of Chairperson [Updated]

	All Committee Members	Full-time Members	Internal Directors	External Directors	Chairperson
Audit and Supervisory Committee	4	1	1	3	Internal Director

Appointment of Directors and Employees to Assist Duties of the Audit and Supervisory Committee	Not appointed
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Reason for employing a current system

While the Company currently does not have the employees dedicated to assisting the duties of Audit and Supervisory Committee, staff at Group Financial Business Promotion and Management & Group Internal Audit Office partners with the Audit and Supervisory Committee, and Audit and Supervisory Committee conducts audits under this system of cooperation.

Status of Collaboration among Audit and Supervisory Committee, Financial Auditor and Internal Audit Department
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Accounting audits of the Company and its major subsidiaries are conducted by Deloitte Touche Tohmatsu LLC. Audit and Supervisory Committee Members and the Financial Auditor hold meetings on a semiannual basis. In addition, opinions are exchanged with each other from time to time as necessary.

The Company has also established a collaborative structure so that the full-time Audit and Supervisory Committee Member can report to and exchange information with the Group Financial Business Promotion and Management & Group Internal Audit Office on matters including the internal audit status, in principle, on a monthly basis.

[Voluntary Committees]

Voluntary Committee(s) Corresponding to Nomination Committee or Remuneration Committee	None
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[Independent Officers]

Number of Independent Officers	3
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Other Matters Concerning Independent Officers

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[Incentives]

Implementation Status of Measures to Grant Incentives to Directors	Not Implemented
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Supplementary Explanation

The Company will continue considering measures to boost incentives to improve performance depending on the situation such as issuing stock acquisition rights as stock options.

Recipients of Stock Options	
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Supplementary Explanation

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[Director Remuneration]

Disclosure of Individual Directors' Remuneration	Disclosed on an Individual Basis for Certain Directors
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Supplementary Explanation

The total amount for all Directors is disclosed in the Annual Report and Operating Report (Business Report).

In addition, the remuneration of certain Directors subject to the standards set by the Company is disclosed on an individual basis in the Annual Report.

Policy for Determining Amount or Calculation Method of Remuneration [Updated]	Established
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Disclosure of Policy for Determining Amount or Calculation Method of Remuneration

The committee consisting of several Members of the Board who volunteered to become the committee members discuss whether a remuneration package for Directors is a fair compensation structure that places importance on the Company value and the shareholder value or the necessity to revise the current system. All directors including three external directors who are independent officers finalize or revise the system established by the committee that has developed a remuneration package for Directors at the Board of Directors meeting after sufficient deliberation of the results of discussions among the committee members while fully respecting them. All Group companies have also adopted the said remuneration package for Directors. In addition to excluding arbitrariness from the remuneration system to ensure fairness, the annual amount of remuneration for all Members of the Board is disclosed to all officers and employees of the Group, thereby monitoring whether the treatment is fair and based on the professional responsibilities of Directors and the results.

Compensation of director comprises basic remuneration and variable remuneration.

Base Salary

- 1) Quantitative items for the achievement of each year's performance targets: performance figures such as net sales, ordinary profit, dividend, etc.
- 2) Quantitative items that promote sustainable growth: growth in net sales, ordinary profit, etc.
- 3) Quantitative items the Company has been working on in the mid-term: customer retention rate, employee retention rate, etc.

The base amount of the remuneration by position, the standards of which are established in advance, is decided based on the above three metrics and multifaceted evaluations.

Variable remuneration

The Company has adopted a fair remuneration system based on performance, professional responsibilities, and the results of each Director, by evaluating each Director individually based on action metrics, figures linked to the earnings in the department that a given Director is taking charge of, etc. in accordance with professional responsibilities of the Director in a given fiscal year, and by increasing or decreasing a variable remuneration within a range of 20% above or below the basic remuneration.

For decisions on policies regarding determination on the amount of the compensation, etc. of the Company's Members of the Board or its computation method, the Committee establishing a remuneration package for Directors develops management guidelines as a result of designing, discussing, or revising the plan, compensation amount is calculated for each individual director pursuant to management guidelines, and the

authority for deciding on the amount of remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members) is delegated to the Board of Directors by the General Meeting of Shareholders. The authority for deciding on the final compensation amount for each individual director is delegated to the Representative Director by the Board of Directors, who may make a minor adjustment that takes into account the calculation of compensation amount pursuant to the management guidelines. Audit and Supervisory Committee has the authority for deciding on the amount of compensation payable to members of the board of directors who are Audit and Supervisory Committee Members.

[Structure to Support External Directors]

Information is communicated to External Directors in the same way as other Directors by the Board of Directors' secretariat (Group Legal Department).

The Company has a structure in place to promptly communicate necessary information or emergency matters to External Directors.

For the notice of the Board of Directors to External Directors, the Company sends the notice of convocation and meeting materials no later than three days before the meeting date.

2. Matters regarding Functions of Business Execution, Auditing, Oversight, Nomination, Remuneration Decisions, etc. (Overview of Current Corporate Governance Structure)

(1) Board of Directors

The Company has adopted an organizational structure of a Company with Audit and Supervisory Committee under the Companies Act. The Audit and Supervisory Committee, the majority of which consists of External Directors, takes charge of audit and oversight of the legality and appropriateness of business execution to realize greater transparency in management, with the ultimate aim of building a structure that can more precisely meet the expectations of all stakeholders.

In order to realize agile decision-making, the Company has established certain monetary standards in its Rules of the Board of Directors and Management Council Regulations, and delegates part of the authority of the Board of Directors to the Management Council according to said standards in order to separate the decision-making authority into the Board of Directors and the Management Council.

In order to build a highly agile business execution structure, in addition to matters to be resolved by the Board of Directors pursuant to laws and regulations or the Articles of Incorporation, etc., the Company has individually set standards for matters to be resolved at the Board of Directors, and clarified the matters that are considered appropriate for resolution by the Board of Directors in the Rules of the Board of Directors. As a body to discuss on matters with managerial importance but are not designated as matters to be resolved at the Board of Directors, the Company established the Management Council consisting of executive directors including the Representative Director, full-time Audit and Supervisory Committee Members and other members of the senior management.

(2) Audit and Supervisory Committee

The role of the Audit and Supervisory Committee, the majority of which consists of External Directors, is oversight of management.

The Audit and Supervisory Committee periodically receives reports from the Group Financial Business Promotion and Management & Group Internal Audit Office on the implementation status of internal audits and the results thereof, and is authorized to order and/or instruct additional audits as necessary as well as necessary investigations.

The Audit and Supervisory Committee collaborates with the Financial Auditor to audit and oversee the status of execution of duties by Directors and execution of duties of departments in charge of business execution.

The Audit and Supervisory Committee Members attend meetings of the Board of Directors and other important meetings, and as necessary, request reports from departments in charge of business execution to collect information on the status of execution of business of the Company.

(3) Nomination of Directors

Nomination of a Director assumes self-nomination by each individual and is decided by the Board of Directors after sufficient deliberation by all directors including external directors who are independent officers, taking into consideration factors including the following items: the nominee is capable of embodying the Spirit Venture Declaration; the results of an anonymous questionnaire survey targeted at all officers of the Group; the quality, attitude, administrative capability, etc. as a member of the senior management and/or a Director. In this anonymous questionnaire survey, all Members of the Board of the Group vote whether to recommend a given person as a candidate for the Board of Directors for the next fiscal year. If this does not fulfill certain requirements, a decision on whether to nominate the given person as a candidate to be reappointed will be made upon consultation with all Members of the Board of the Group. Nomination of a Director is decided by taking into consideration clear factors established by the Company, and we exclude arbitrariness from the human resource systems pertaining to directors of the Company.

(4) Remuneration of Directors

The Company determines the remuneration of Directors based on a remuneration system linked to business performance, the level of achievement of performance targets and other such factors, so as to provide a healthy incentive for sustainable growth.

In addition, the base amount of the remuneration for Directors is determined automatically based on multifaceted evaluations which include the rate of achievement of numerical targets and dividend targets - such as net sales, operating profit, dividend amount, per capita net profit, net sales growth rate, and profit growth rate - and quantitative targets - such as customer retention rate and employee retention rate - set for each period at the Company as well as the level of achievement of qualitative targets, the foundation of which is formed by the Venture Spirit Declaration. Furthermore, the Company adopts a remuneration system that increases or decreases the standard remuneration amount of each director within the range of 20% depending on the level of achievement of the individual performance targets set in each period for each director. If the Company does not achieve performance targets, there is a rule that requires directors to propose voluntarily reduction of their compensation by a certain amount, and the Company will not provide bonuses to directors. On the other hand, when performance targets are achieved, the Company will provide bonuses to directors as additional remuneration depending on their results.

Details of the individual performance targets set for each director and the actual compensation amount provided to each director by the Company for the given fiscal year are disclosed to all Members of the Board and all employees of all Group companies, so transparency is ensured.

We exclude arbitrariness from the process by which we determine remuneration amount of each director of the Company.

Regarding this remuneration system, the committee consisting of several Members of the Board who volunteered to become the committee members discuss the necessity to finalize the new system or revise the current system. All directors including three external directors who are independent officers ultimately finalize or revise the new or current system at the Board of Directors meeting after sufficient deliberation of the results of discussions among the committee members while fully respecting them. We exclude arbitrariness from the remuneration system.

3. Reasons for Selection of Current Corporate Governance Structure

The Company has adopted an organizational structure of a Company with Audit and Supervisory Committee in accordance with the Corporate Governance Policy.

The Board of Directors delegates its authority to the management based on clear standards, facilitates prompt and agile business execution to strengthen the oversight function over important decision-making, formulation of management strategies and execution of business.

III. Implementation Status of Measures for Shareholders and Other Stakeholders

1. Status of Efforts to Vitalize General Meeting of Shareholders and Facilitate Exercise of Voting Rights

	Supplementary Explanation
Early Dispatch of Notice of Convocation of General Meeting of Shareholders	Efforts are made to provide an easy-to-understand explanation in the notice of convocation, and to dispatch it as early as possible.
Avoiding Peak Days upon Scheduling General Meeting of Shareholders	As the fiscal year end of the Company is December, the General Meeting of Shareholders is held in March, thereby avoiding peak days in June in which many other companies hold their general meetings of shareholders. Also, the General Meeting of Shareholders is scheduled on a Sunday, to make it easier for shareholders to participate in.
Exercise of Voting Rights via Electromagnetic Means	In consideration of convenience of shareholders for exercising voting rights, a system has been introduced to enable exercise of voting rights via the Internet.
Participation in Electronic Voting Platform and Other Efforts to Improve Institutional Investors' Environment for Exercise of Voting Rights	The Company uses the Electronic Voting Platform by ICJ Incorporated.
Providing Notice of Convocation (Summary) in English	The content of the notice of convocation is disclosed in both Japanese and English at the stock exchange, the Electronic Voting Platform, the Company's website, etc.
Other	The notice of convocation contains many diagrams, photos, etc. to make it easy to understand. It is also small in size and printed in color for the benefit of readers.

2. IR Activity Status

	Supplementary Explanation	Explanation by Representative in Person
Preparation and Publication of Disclosure Policy	Disclosure policy is published on a dedicated website for investor relations (IR). http://ir.gmo.jp/irpolicy/	
Regular Briefing Sessions for Individual Investors	Not held.	No
Regular Briefings Sessions for Analysts and Institutional Investors	A briefing session targeted at analysts and institutional investors is held on a quarterly basis. Individual meetings are also held.	Yes
Regular Briefings Sessions for Foreign Investors	Not held.	No
Posting of IR Materials on the Website	Posts are updated from time to time in line with IR activities.	
Establishment of IR-related Department (Person in Charge)	The IR team has been established within the Group Finance Department.	

3. Status of Efforts to Respect the Positions of Stakeholders

	Supplementary Explanation
Provisions of Internal Rules, etc. for Respecting the Positions of Stakeholders	<p>The Company has established “Compliance Declaration” to clearly define the guidelines for acting in good faith and appropriately as a better member of society and business person in accordance with ethics, laws and regulations as well as social norms. The Company has also formulated “Twelve Commandments of Information Security” in addition to “Compliance Declaration,” booklets to be carried at all times.</p> <p>The “Group Legal Division” and “Group Financial Business Promotion and Management & Group Internal Audit Office” conduct compliance-related training and raise awareness of compliance, work to ensure the effectiveness of prevention, early detection and self-correction of fraudulent act, etc. to enhance compliance management.</p> <p>The Company has also established a helpline system to prepare against the detection of a fraudulent act, and operates a consultation and whistleblowing framework.</p>
Formulation of Policies, etc. for Providing Information to Stakeholders	The Company endeavors to distribute corporate information in a prompt, fair, accurate and easy-to-understand manner to all stakeholders including shareholders, investors, customers and employees. The Company will at no time provide specific information exclusively to specific persons.

IV. Matters Concerning the Internal Control System, etc.

1. Basic Views on Internal Control System and the Status of Development Thereof

At the Company, the Board of Directors resolves on the “system for ensuring proper operation of business” prescribed in the Companies Act and the Ordinance for Enforcement of the Companies Act. The overview is provided as follows.

1. Structure for storing and managing information on execution of duties by Directors (excluding those who are Audit and Supervisory Committee Members)

Appropriate management and storage is conducted in the Company by recording information on the performance of duties by Directors (excluding those who are Audit and Supervisory Committee Members) in writing or electronically in the form of electronic information in accordance with the document management rules and security policy, and storing the information at the storage location prescribed by the document management rules for the period set forth in said rules by document classification.

Audit and Supervisory Committee Members and the Group Financial Business Promotion and Management & Group Internal Audit Office are authorized to view and copy documents, etc.

2. Rules and other structures to manage risk of loss

The Company has established rules on risk management, and takes action to minimize the risk of loss that may arise from various transactions.

Also, the Company has established the Management Council consisting of Directors (note: attendance by external directors is voluntary), which discusses or resolves matters commissioned by the Board of Directors and other important management-related matters of the Company. A meeting of the Council is convened in principle on a weekly basis, to gain an understanding of the daily transaction status in detail and discover at an early stage facts that may cause damage to the Company.

Furthermore, the Company has established the “Risk Management Committee.” A meeting of the Committee is convened in principle on a monthly basis, to discover at an early stage risk information that may cause damage to the Group and respond to risks that become evident.

3. Structure to ensure the efficient execution of duties by Directors (excluding those who are Audit and Supervisory Committee Members)

The Company clarifies the respective business departments of each Director (excluding those who are Audit and Supervisory Committee Members). In order to clarify the responsibility of management for business performance in each period, the Company has set the term of office of Directors (excluding those who are Audit and Supervisory Committee Members) at one year, since March 26, 2002. Through stringent evaluation of the performance of each Director on an annual basis, the Company works to improve the efficiency of their execution of duties.

Regular meetings of the Management Council and executive meetings are held in principle on a weekly basis, and the Company verifies the efficiency of duties on an ongoing basis by gaining an understanding of the status of decision-making of important management matters and the performance of duties in a timely manner.

4. System to ensure that performance of duties by Directors (excluding those who are Audit and Supervisory Committee Members) and employees complies with laws, regulations and the Articles of Incorporation

The Company shares the mindset it has cultivated in the form of “Spirit Venture Declaration,” and sets it as the foundation of its corporate activities. The Company also established the “Compliance Declaration,” to observe laws, regulations and social ethics, and establish a compliance structure.

At the meetings of the Board of Directors and the Management Council, where management decisions are made and execution of duties is reported, legality is confirmed by seeking the opinions of the Audit and Supervisory Committee Members with respect to all agendas.

The Company also holds “Compliance Workshops,” and establishes the “GMO Helpline” to operate a consultation and whistleblowing framework, and works to ensure the effectiveness of prevention, early detection and self-correction of fraudulent acts, etc. in an effort to enhance compliance management.

The “Group Financial Business Promotion and Management & Group Internal Audit Office” conducts audits to determine whether execution of business is in compliance with laws, regulations, and the Articles of Incorporation, etc.

5. Structure to ensure proper operation of business in the corporate group consisting of the Company and its subsidiaries

The Company holds an executive meeting, the members of which include the respective presidents of all Group companies, in principle on a weekly basis, in order to gain an understanding of the accomplishments, etc. of management activities of each Group company and properly execute budget control.

The Company dispatches a certain number of Directors or Auditors to each Group company to ensure proper operation of business of the Group as a whole, through regularly understanding the status of business execution of the Group companies and reporting to the Company's Board of Directors or Management Council in advance certain important matters subject to decision-making prescribed in the affiliate management rules.

In addition, the Company gives guidance on compliance to each Group company, and works to ensure the effectiveness of prevention, early detection and self-correction of fraudulent acts, etc. in an effort to enhance compliance management of the Group as a whole.

The Company also established the “Group Financial Business Promotion and Management & Group Internal Audit Office” to ensure proper operation of business by conducting internal audits on the business execution and administration status of each Group company.

Further, the aforementioned “Risk Management Committee” reports the status of risk management of the Group to the Board of Directors in principle on a quarterly basis, in an effort to further ensure the proper operation of business.

6. Structure for Directors and employees to report to the Audit and Supervisory Committee or its Members and other structures to report to the Audit and Supervisory Committee or its Members

At the Company, Audit and Supervisory Committee Members attend important meetings such as meetings of the Management Council in addition to the meetings of the Board of Directors, view important approval documents, etc., and as necessary, request Directors, etc. to give an explanation thereof, and gain an understanding of the process in which important decisions are made as well as the status of execution of business.

If a Director of the Company (excluding those who are Audit and Supervisory Committee Members) discovers a fact that may cause substantial damage to the Company, he/she must promptly report such fact to the Audit and Supervisory Committee Members in accordance with laws and regulations.

The Company receives an explanation of financial audits by the Financial Auditor of the Company and an explanation of internal audits by the Group Financial Business Promotion and Management & Group Internal Audit Office as well as exchange information with each other to realize a collaborative structure.

7. Structure for Directors and employees of subsidiaries to report to the Audit and Supervisory Committee or its Members and other structures to report to the Audit and Supervisory Committee or its Members

The Company develops in advance a structure with each of its subsidiary that enables Directors, Auditors, Audit and Supervisory Committee Members, employees, etc. of each subsidiary or anyone who has received a report from them to report to the Directors, Audit and Supervisory Committee Members, employees, etc. of the Company directly or via the Board Of Directors, Auditors or Audit and Supervisory Committee Members of each subsidiary.

8. Structure to ensure that persons who made a report referred to in the preceding two items will not be treated unfairly on the grounds of such reporting

(1) Audit and Supervisory Committee Members shall not have the obligation to report information obtained from Directors (excluding those who are Audit and Supervisory Committee Members) or employees to third parties.

(2) Audit and Supervisory Committee Members may request Directors (excluding those who are Audit and Supervisory Committee Members) to disclose the reasons for relocation, personnel evaluation, disciplinary action, etc. of employees who made a report.

9. Matters concerning prepayment or reimbursement procedures for expenses arising from the execution of duties by Audit and Supervisory Committee Members and other policies for the treatment of expenses or obligations arising from the execution of such duties

When an Audit and Supervisory Committee Member requests the prepayment of expenses arising from the execution of his/her duties or reimbursement of expenses, etc. paid or repayment of obligations assumed in the execution of his/her duties, the Company shall respond to such request unless it is possible to substantiate that such expenses, etc. have not arisen from the execution of duties of the Audit and Supervisory Committee Member.

10. Other structures to ensure that audits by Audit and Supervisory Committee Members are conducted effectively

Audit and Supervisory Committee Members and the Representative Director periodically hold meetings to communicate with each other.

Meetings are also held periodically with the Financial Auditor and Group Financial Business Promotion and Management & Group Internal Audit Office.

2. Basic Views on and Preparedness for Eliminating Anti-Social Forces

1. Basic views on eliminating anti-social forces

The Company's basic policy is to eliminate any relationship, transactions, negotiations with anti-social forces that threaten social order and safety of civil society and not to use such anti-social forces. If undue claims are made by anti-social forces against the Company, the Company will take a resolute stance as a whole and endeavor to prevent any damage caused by anti-social forces.

2. Preparedness for eliminating anti-social forces

In July 2008, the Company joined *Tokubouren*, an association set up within the Tokyo Metropolitan Police Department to take measures to prevent special violence. The Company participates in workshops, etc. held by *Tokubouren*, collects information, and communicate with the legal adviser and police from time to time.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Adopted
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Supplementary Explanation **[Updated]**

Board of Directors believes that the transaction of the Company's shares shall be left to the market, and that decision on whether to accept or reject a large-scale purchase by a large-scale purchaser shall be made by shareholders.

For the Company, the following attributes are essential to its operation: management expertise premised on the Company's business characteristics and highly specialized knowledge required for its Internet-related services; employees (partners) with superior technologies and skills to catch up with technological innovations; Group companies in charge of each business in the organically-integrated enterprise group; and relationships built with stakeholders including clients and customers.

Without the understanding of the Company's businesses, it is difficult to gain an understanding of its corporate value. When shareholders make a decision on the large-scale purchase by a large-scale purchaser, information provided by the large-scale purchaser shall not suffice, and we believe it is extremely important that the Company's Board of Directors with sufficient understanding of the Company's business characteristics, etc., to appropriately provide its assessment and opinions on the large-scale purchase to shareholders.

Based on the above views, in addition to stipulating a rule for the large-scale purchase of shares, the Board of Directors believes that to collect and provide shareholders with necessary and sufficient information for them to make an appropriate judgment by themselves, and to disclose the assessment and examination of such information by the Board of Directors, will contribute to the common interests of shareholders. GMO's Board of Directors will require any prospective Large-Scale Purchaser to comply with the Large-Scale Purchase Rules. In a case where a Large-Scale Purchaser does not comply with the Large-Scale Purchase Rules, or a case where it is judged that a Large-Scale Purchase carried out pursuant to the Large-Scale Purchase Rules would have the effect of seriously harming the common interests of GMO shareholders, GMO's Board of Directors will be in a position to take certain countermeasures that it judges to be appropriate at that point.

A policy toward Large-Scale Purchases by a Certain Group was decided initially in GMO's Board of Directors' meeting held on March 13, 2006, for the purposes described above. Since then, the initial GMO's Board of Directors' meeting, held after the Annual General Shareholders Meeting scheduled for every year, has decided to continue such policy.

The said anti-takeover measures will be implemented only if large-scale purchaser violates the rules set forth in the said anti-takeover measures or if a large-scale purchase of the Company's shares significantly compromises the common interests of shareholders and the corporate value. In addition, a special committee consisting of the four committee members independent from the Board of Directors must be established and their opinions must be respected to the greatest extent possible, and all directors including three external directors who are independent officers must be in favor of implementing countermeasures in regards to the implementation of the said anti-takeover measures, so we do not allow the Board of Directors to implement countermeasures for the purpose of defending their own interests.

Although we are aware of anti-takeover-measure-related trends among other companies, for example, the procedures set forth in the Financial Instruments and Exchange Act, such as market transactions to which restrictions on tender offer are not applied, lack as a means of collecting and providing shareholders with necessary and sufficient information for shareholders to judge whether to accept large-scale purchase of the Company's shares as explained above, so we judged that the said anti-takeover measures are necessary.

Adopting a policy concerning Large-Scale Purchases of GMO shares, as a defense against corporate takeovers

<https://ir.gmo.jp/en/management-policy/governance/anti-takeover/>

2. Other Matters Concerning Corporate Governance Structure, etc.

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