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To whom it may concern,

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Notification on the setting of remunerations for directors who do not belong to the audit committee and directors who belong to the audit committee and the adoption of a system for giving stock-based compensation with restrictions on share transfer

At the meeting of the board of directors held today, our company has decided to shift to a company with an audit committee, under the condition that it will be approved at the 8th annual meeting of shareholders to be held on December 10, 2020 (hereinafter referred to as “the General Meeting of Shareholders”), as mentioned in “Notification on partial revision to the articles of incorporation” dated today. Accordingly, we have set the remunerations for directors who do not belong to the audit committee and directors who belong to the audit committee, revised the systems for executives’ compensation, resolved to adopt a system for giving stock-based compensation with restrictions on share transfer (hereinafter referred to as “the System”) to outside directors who do not belong to the audit committee, and submitted a proposal regarding the setting of remunerations for directors who do not belong to the audit committee and directors who belong to the audit committee and a proposal regarding the System to the General Meeting of Shareholders, as described below.

I. Regarding the setting of remunerations for directors who do not belong to the audit committee and directors who belong to the audit committee

At the extraordinary general meeting of shareholders held on March 1, 2018, it was approved that the amount of remunerations for directors of our company shall be up to 100 million yen per year, but as our company is transforming into a company with an audit committee, we plan to ask

shareholders to approve that the amount of remunerations (including bonuses) for directors who do not belong to the audit committee shall be up to 200 million yen per year (the amount for outside directors shall be up to 12 million yen per year) (excluding the salaries of employees who also serve as a director) and the amount of remunerations for directors who belong to the audit committee shall be up to 15 million yen per year for each fiscal year, respectively, under the condition that the proposal for revision to the articles of incorporation for transforming into a company with an audit committee will be approved as it is at the General Meeting of Shareholders.

Our company currently has 6 directors (including 2 outside directors), but the number of directors who do not belong to the audit committee will be 7 (including 2 outside directors) and the number of directors who belong to the audit committee will be 3, if the proposal for revision to the articles of incorporation for transforming into a company with an audit committee and the proposal for appointment of directors who do not belong to the audit committee and directors who belong to the audit committee are approved as they are at the General Meeting of Shareholders.

II. Regarding the adoption of the System

1. Purpose and conditions of the adoption of the System

(1) Purpose of the adoption

The System will be adopted for the purpose of providing outside directors who do not belong to the audit committee (hereinafter referred to as “Target Directors”) of our company with incentives for preventing the degradation of our corporate value and maintaining reliability by sharing value with shareholders.

(2) Conditions for the adoption

The System will be adopted, under the condition that the proposal for revision to the articles of incorporation for transforming into a company with an audit committee will be approved as it is at the General Meeting of Shareholders. In addition, the System is for providing Target Directors with monetary claims for offering shares with restriction on transfer, so we specified the condition that the provision of said compensation will be approved by shareholders at the General Meeting of Shareholders.

At the General Meeting of Shareholders, we plan to ask shareholders to approve the budget for compensation to be given to Target Directors through the System which is separate from the budget for compensation in the above section I.

2. Outline of the System

Target Directors will pay all monetary claims provided by our company through the System as properties contributed in kind, to make common shares of our company issued or disposed of.

The total amount of remunerations for Target Directors in the System is up to 20 million yen per year, and the total number of common shares of our company to be issued or disposed of through the System is up to 2,000 shares per year (it is possible to reasonably adjust the number of shares to be issued or disposed of, if there emerges a compelling reason for the adjustment of the number of shares, such as the split or consolidation of common shares of our company).

In order to share value with shareholders in the medium and long terms as one of the purposes of adoption of the System, our company plans to set the period of restriction on share transfer at the period specified by the board of directors, which is between about 1 year and about 5 years from the date of payment. The board of directors will determine the exact timing of payment and allocation to Target Directors.

The payment amount per share for common shares of our company to be issued or disposed of through the System will be determined by the board of directors with reference to the closing price of common shares of our company at Tokyo Stock Exchange on the business day before the date of resolution of the board of directors (if transactions are not finished on that date, the closing price on the latest trading day preceding said date will be used), so that said amount will not become beneficial to Target Directors.

For issuing or disposing of common shares of our company through the System, our company will conclude a contract for allocation of shares with restriction on transfer (hereinafter referred to as “the Allocation Contract”) with Target Directors. The Allocation Contract will include the following items:

- (1) Target Directors shall not conduct transfer, security right setting, or any other disposal for the common shares of our company allocated in accordance with the Allocation Contract for a specified period.
- (2) If there emerges a certain reason, our company will acquire said common shares free of charge.