

# Corporate Governance Report

Last Update: June 25, 2021

Z Holdings Corporation

President and Representative Director, Co-CEO: Kentaro Kawabe

Securities Code: 4689

<https://www.z-holdings.co.jp/en>

## I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

### 1. Basic Views

#### Promises to our Users (Charter of Corporate Behavior)

The Z Holdings Group, comprised of Z Holdings Corporation and its consolidated subsidiaries and affiliates, conducts business activities in a competitive marketplace in accordance with rules such as the law, fair business practices and social ethics.

We believe that there is value in winning only when you play by the rules, and not by cheating. We promise all stakeholders including our users, shareholders, investors, business partners, communities and employees to be trustworthy, and aim to create a safe and sustainable Internet community by being in tune with the society. We will practice business with the spirit of fair play, and strive to enhance our corporate value by fulfilling the company's social responsibilities.

For this, the directors and employees fully understand our expected and required roles, will maintain sound corporate governance and will practice efficient corporate activities in order to obtain trust and empathy from everyone.

Moreover, the top management acknowledges that it is our role to fulfill the social responsibilities by honoring the spirit of this Charter on each of the following items: achievement of customer satisfaction and trust; securement of fair and free competition; maintenance of sound relations with legislation and administration; timely and appropriate disclosure of management information; respect for employees; establishment of positive work environment, contribution to global environment conservation, implementation of social contribution activities as "good citizens"; separation from antisocial forces; harmony with communities and cultures; compliance with international rules; strict control of personal information; guarantee of information security; respect for intellectual property rights. With this in mind, we will respect the spirit of this Charter and commit ourselves to its implementation.

#### [Reasons Why We Do Not Conduct the Following Principles of the Corporate Governance Code]

##### [Principle 1-4: Cross-shareholdings]

•Policy on acquisition/possession and results of assessment

Z Holdings Corporation ("Company") decides the policy of cross-shareholding and its rationale based on the judgement on whether or not the collaboration with the companies to which shareholding investments are made will lead to the development of the Company's business and the improvement of the corporate value of the Z Holdings Group ("Group") Policy on cross-shareholdings and its rationale are examined periodically in the Top Management Committee, etc. The examination verifies the profitability of the cross-shareholding from the viewpoints of risks, costs and returns associated and evaluates the business effects derived from

business collaborations, etc. with the invested companies. As a result, comprehensive judgements are made on whether or not the cross-shareholding will lead to the development of the Company's business and the improvement of the corporate value of the Z Holdings Group. Details of this examination are disclosed in the annual securities report.

No. of brands held as cross-shareholding: 5

Total amount recorded in the balance sheet: JPY 3.99 billion

The Company does not have any so-called mutual shareholdings or deemed holding of equity securities.

•Basis of exercising voting rights

The Company makes individual judgements on the exercise of voting rights of shares of listed companies held by the Company. The Company considers the details of the agenda and based on the invested company's management policy and business plans, etc., the Company makes a comprehensive judgement on whether the agenda will lead to the increase in the corporate value of the invested company and to the common interest of the shareholders. The Company also considers whether the agenda will create business opportunities between the invested company and the Company or will have the effect of building, maintaining or strengthening the transaction/collaboration relationship between the two companies to improve the corporate value of the Company.

[Principle 4-1-3: Establishment and implementation of a succession plan by the board]

As an advisory body to the Board of Directors, the Company established a voluntary Nominating and Remuneration Committee, which is comprised of four independent outside directors serving on the Audit and Supervisory Committee, and two internal directors. The Committee is chaired by an independent outside director. Establishment and implementation of a succession plan for the Representative Director is expected to be carried out in this Nomination and Remuneration Committee in the future, and proposed to the Board of Directors.

[Principle 4-11: Preconditions for securing the effectiveness of the Board of Directors]

In order to ensure diversity, the Board of Directors consists of 10 members, including six executive directors and four Audit and Supervisory Committee members, who have in-depth knowledge and diverse experience in the Internet field, as well as management experience in other industries and expertise in administration, corporate planning, finance, etc. In light of the Group's situation, directors serving on the Audit and Supervisory Committee are elected based on their broad management experience on bookkeeping, law, etc. A lawyer who has a high level of expertise in governance and other areas is also elected. In respect to accounting, the Audit and Supervisory Committee members and the accounting auditors hold meetings, periodically and when necessary, to collaborate on conducting audits properly.

[Principle 5-2: Establishing and disclosing business strategies and business plans]

The evolution of IT technologies is remarkable and forecast is hard to make even in a medium term. Therefore, we do not disclose revenue plans, specific policies on capital policy and targets related to capital efficiency, etc. However, when considering the direction of future revenue expansion, we take capital cost into account to consider the revision of business portfolio and distribution of management resources. The direction of future revenue expansion is explained in the business results meetings and in the shareholders meetings.

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

[Principle 1-7: Framework for appropriate procedures in proportion to the importance and characteristics of the transaction with related parties]

•Z Holdings Corporation stipulates in its Regulations of the Board of Directors Meetings that a person having a special interest in the resolution of the Board of Directors cannot exercise his/her voting right. In judging whether a director's interest conflicts or not, we endeavor to make the right judgments by seeking the opinion of external experts as necessary.

•When doing business with our directors or a company in which our director serves as a representative director, such that there is a risk of a conflict of interest arising, Z Holdings Corporation requires prior approval from the Board of Directors in accordance with the Companies Act and the Regulations of the Board of Directors Meetings. Furthermore, the current statuses of these transactions are to be reported to the Board of Directors once every three months.

•When a business transaction is carried out with one of Z Holdings' principal stock holders and the transaction is judged to be of high importance to the Company from a qualitative or quantitative standpoint, prior approval from the Board of Directors is required in accordance with the Regulations of the Board of Directors Meetings.

[Principle 2-6: Functioning as an asset owner of corporate pension plans]

Although the Company does not have a corporate pension fund system, it has introduced a corporate defined contribution pension plan for the purpose of providing asset building opportunities for its employees, and the Company contributes a certain amount of premiums to eligible employees and provides education and training on the system and asset management.

[Principle 3-1-1: Company objectives (e.g., business principles), business strategies and business plans]

### (1) Fundamental Business Management Policies

With its mission "UPDATE THE WORLD", unleashing the infinite potential of all people with the power of information technology, the Group aims to realize its vision of creating a hopeful future whereby "Mankind can be free and in control."

With the development of the information technology, we are now able to acquire all kinds of knowledge and information through the Internet and to disseminate information around the world. Using the power of information technology, we believe that mankind will be liberated from various restrictions and that a new future will be created.

The Group will adhere to a "users first" standpoint while endeavoring to improve services for sustainable growth. In addition, we aim to contribute to solving various problems of people and society, and to improve the corporate value of the Group.

### (2) Management Performance Indicators Used for Goals

As its core management performance indicators, the Z Holdings Group gives priority to the revenue, and adjusted EBITDA\*<sup>1</sup> for the overall Group. As indicators for the Commerce Business, the Group uses e-commerce transaction value, credit card transaction value, number of PayPay payments, etc. For the Media Business, advertising-related revenue, number of monthly logged-in user IDs, time spent by logged-in users via smartphones, etc., are used as important indicators of performance evaluation.

\*<sup>1</sup>Adjusted EBITDA: Operating income + Depreciation & amortization ± EBITDA adjustment items

\*EBITDA adjustment items: Gains/losses on non-recurring and non-cash transactions within operating revenue and expenses (loss on retirement of fixed assets, impairment losses, stock compensation expenses, losses/gains on step acquisition, other transactions with undetermined cash outflows (one-time provisions, etc.), etc.)

### (3) Medium- to Long-Term Business Strategies

## 1. Business environment

Due to the recent development of information technology, the distinction between the online and offline worlds has rapidly disappeared in various sectors of society. In the midst of the dramatic expansion of the Internet's potential, the unexpected spread of COVID-19 has brought about a period of unprecedented change. In addition, as the online world merges with the offline world, the value of big data is growing exponentially. As the Japanese government's "Society 5.0" strategy points out, there is a demand for enterprises, which use data to create services and businesses that balance economic development and the solving of social issues.

Furthermore, through the use of the Internet, we have seen the birth of numerous innovative and highly convenient services around the world, such as cashless payment, IoT and big data, which are becoming the new standard of our lifestyle. Moreover, the presence of foreign IT companies which have entered the Japanese market is growing year by year. Meanwhile, many startups have also been launched in Japan, and we expect a dazzling evolution in the environment of the highly competitive Internet market in the future.

The businesses of Z Holdings Group can be largely classified into Commerce Business and Media Business. For the Commerce Business, according to a research by the Ministry of Economy, Trade and Industry ("METI"), the BtoC e-commerce market is JPY 19 trillion in 2019, and the EC ratio in the merchandising sector is 6.76%. Japan's EC ratio is rising every year, and we see considerable upside potential. In particular, the stay-at-home requests associated with the spread of the new coronavirus infection are expected to trigger an increase in the growth of e-commerce use, and the EC ratio in Japan is expected to rise further. Also, for the highly prospective field of cashless payment, METI's Cashless Vision, "Declaration of Payment Reform," sets a target of hiking the ratio of cashless payment to 40% by 2025, based on the fact that Japan's cashless payment ratio is at around 20%, lower than other countries. Going forward, we expect the market for our Commerce Business to expand and the online and offline domains to merge even further through the use of big data, technologies, and payment methods such as mobile payment.

As for the Media Business, a business we have been engaged in ever since our foundation, according to Dentsu Inc., total advertising expenditures in Japan was JPY 6.1594 trillion for 2020. Out of this, Internet advertising spending recorded JPY 2.2290 trillion, exceeding television advertising spending. Internet advertising media expenditures, which excludes Internet advertising production expenditure and advertising expenditure for merchandise-related EC platforms from the Internet advertising spending, continue to grow, and amounted to JPY 1.7567 trillion. By type, paid search advertising and display advertising accounted for more than 70% of the total, while video advertising grew from the year before, accounting for about 20% of the total.

## 2. Management strategy

Since its founding, the Z Holdings group has developed services based on the "user first" principle. Even now, as its scale and organization have changed, its desire to further enhance the convenience of its services and enrich people's lives has not changed. Based on the belief that a more multifaceted and in-depth understanding of users is essential to achieving this goal, it is working to become "an entity that understands users the most through the accumulation and utilization of data," and by extension, "a domestic platform operator that understands Japanese users the most." The cross-use of multi-big data plays a central role in understanding the people living in Japan the best, solving social issues through the provision of the best user experience and creating the future. Positioning ourselves in our third founding since fiscal 2018, we have made active investments in future growth to transition to a data-driven company with a business model that leverages our multi-big data.

The Group offers a wide variety of services that center on e-commerce, media and fintech in two different business fields, Commerce and Media. We are a globally unique corporate group that covers online to offline services in a comprehensive manner. The wealth of data obtained from the diverse services provided by the Group is an important competitive advantage for creating services that are unique to the Group. We aim to provide optimal services for each and every user, and to provide even higher-quality user experiences through the cross-use of data we receive from each service.

One of the key initiatives undertaken to achieve this goal is the strengthening of collaborations with SoftBank Corp. From before, we have promoted business collaborations in e-commerce and

mobile payment businesses, but the Group became a consolidated subsidiary of SoftBank Corp. in June 2019. As an information communication group with an unprecedented scale even in the world, we aim to achieve further growth and improve our corporate value by leveraging various services and one of Japan's largest user bases of both companies. The multi-big data derived from the services and user base, which is both vast in volume and wide in variety, will also play a key role in achieving our goal.

Furthermore, in order to strongly promote these initiatives and to become a leading corporate group in Japan and Asia, the Group completed its business integration with LINE Corporation on March 1, 2021. As a result of the integration with LINE Corporation, the number of countries and regions to which the Group offers services has expanded to 230. By leveraging LINE Corporation's user base of 167 million users in major Asian countries and regions, we will work to create synergies in each of our businesses and powerfully create a future that can only be created by this Group.

In addition, promoting the management of such a diverse range of services and group companies will also lead to stable revenue generation. Even in the event of an emergency, such as the spread of a new coronavirus, the diversity of our revenue sources and business models will allow us to diversify the impact, which we believe will contribute to the stability of our management base.

We will utilize these competitive edge and strengths to create new user experiences through higher-quality services that meet the needs of our users.

Through these measures, we have set a medium term target of achieving a revenue of JPY 2 trillion, adjusted EBITDA of JPY 390 billion in fiscal 2023.

As a Group that has one of the largest data assets in Japan, both in volume and in variety, we will maximize the capacity of our data and will aim to become an enterprise that enhances the value of the whole of Japan.

[Principle 3-1-2: Basic views and guidelines on corporate governance]

The Z Holdings Group regards corporate governance as an essential function for increasing corporate value over the medium to long term. To this end, as clearly stated in our "Charter of Corporate Behavior," the directors and employees fully understand our expected and required roles, will maintain sound corporate governance and will practice efficient corporate activities in order to earn the trust and sympathy of our stakeholders.

[Principle 3-1-3: Board policies and procedures in determining the remuneration of the senior management and directors]

The handling of individual remunerations, etc. of directors (excluding directors serving on the Audit and Supervisory Committee; the same shall apply hereinafter, and the handling: policy regarding decisions on the details of remuneration, etc. for each individual director) is prescribed in the Regulations of Remuneration for Directors (hereinafter referred to as the "Regulations") by the resolution of the Board of Directors based on the opinions of independent outside directors. The remuneration, etc. paid to the Company's directors is composed of base remuneration (paid regularly) and performance-based remuneration (bonus and stock-based remuneration paid at a certain time after the end of the relevant fiscal year), and the basic policy on the proportion of the two remunerations is such that the portion of the performance-based remuneration exceeds the portion of base remuneration.

However, if a director concurrently serves in another company and receives director remuneration from that company, based on the details of the said remuneration and responsibilities the director has in the Company, the Company may not pay all or part of the remuneration, etc., or if the Company pays remuneration, the portion of the performance-based remuneration may not exceed that of base remuneration, or the Company may not pay the performance-based remuneration.

With respect to base remuneration (fixed remuneration) and bonuses (performance-based remuneration), the Nominating and Remuneration Committee shall determine the details of remuneration, etc. for each individual director through deliberation and resolution by its members in accordance with the Regulations. The Nominating and Remuneration Committee determines the base remuneration in accordance with the director's position (responsibility) and with reference to the Company's performance level, and the bonus based on the director's performance

and the degree of achievement of performance targets for the relevant fiscal year, taking into account the evaluation of the management measures implemented by the director.

On the other hand, the details of restricted stock remuneration (issue price, number of shares to be granted, other details of the allotment agreement, etc.) granted as stock-based remuneration (performance-based remuneration, non-monetary remuneration) shall be determined by a resolution of the Board of Directors based on the amount of claims for remuneration, etc. determined by the Nominating and Remuneration Committee in accordance with the Regulations. The Board of Directors passes a resolution to approve the amount of such claims after confirming that the Nominating and Remuneration Committee has determined the amount of such claims on the basis of its function as an incentive to increase the Company's corporate value over the medium to long term and the degree of achievement of the directors' performance and performance targets for the relevant fiscal year, taking into account the evaluation of the management measures implemented by the directors.

(Note)

The remuneration system and decision policy for the former LINE Corporation is as follows, and they will continue to be applied for the fiscal year ended March 31, 2021 and fiscal year ending March 31, 2022 on a temporary basis.

- The remunerations of Takeshi Idezawa, Jungho Shin and Jun Masuda consist of base remuneration, bonus and stock-based remuneration.

- Base remuneration: The amount of monetary remuneration is determined in accordance with the roles and responsibilities of each director, and a portion of the amount is paid monthly as base remuneration. The idea of emphasizing a sense of unity as a management team is reflected in the amount of monetary remuneration.

- Bonus: A portion of the base remuneration is paid as bonus, and is not performance-based. Part of the monetary remuneration is deferred and paid as bonus in order to enable the Board of Directors of the Company, based on the deliberation of the Nomination and Compensation Committee, to restrict the payment to a director who commits a materially inappropriate act that causes damage to the Group during his or her term of office.

- Stock-based remuneration: Stock-based remuneration plans (stock options or other stock-based remuneration) have been introduced as a means of creating social value on a medium- and long-term basis and as a means of continuing to provide value to all stakeholders. The Company issues and grants stock options or other stock-based remuneration for the contribution for each of the three fiscal years starting from the fiscal year ended December 31, 2019.

Please note that fiscal 2020's goal for operating income, the key index in regards to performance-based remuneration, was over JPY 160 billion, and the result was JPY 162.1 billion.

[Principle 3-1-4: Board policies and procedures in the appointment and dismissal of the senior management and the nomination of director candidates]

The suitable person for director candidate is nominated by the Board of Directors. The criteria which are taken into consideration include performance, experience, knowledge, popularity, etc. in the Company or in other companies. If a director, etc. falls under the reasons for dismissal as prescribed in the internal regulations, the Board of Directors can resolve the dismissal of the director, etc. in question. A voluntary Nominating and Remuneration Committee comprised of the four independent outside directors serving on the Audit and Supervisory Committee and two internal directors, chaired by an independent outside director, will discuss and propose the nomination of director candidates and dismissal of directors, etc. to the Board of Directors. Especially in the nomination process, the Nominating and Remuneration Committee pays heed to prevent membership from gravitating towards all members having similar characteristics, in order to preserve diversity within the Board of Directors.

[Principle 3-1-5: Explanations with respect to the individual appointments, dismissals and nominations on the appointments and dismissals of senior management and nomination of director candidates, based on "Principle 3-1-4"]

Z Holdings Corporation discloses the reasons for the nomination of director candidates in the notice of the General Meeting of the Shareholders when a proposal for the election is presented to the General Meeting of the Shareholders.

- Since joining the Company in 2000, Kentaro Kawabe has served with distinction for 20 years in important positions in the Company including manager of the Company's core services such as Yahoo! JAPAN News and Chief Operating Officer (COO), contributing to the growth of the Company. In addition, he has achieved the business integration with LINE Corporation, and has built a structure that enables the creation of a great future. The Company has renominated him as a director candidate so that he can lead the growth of the Company even further, continue to strengthen the governance structure of the overall Z Holdings Group including that of Yahoo Japan Corporation, and lead the rapid creation of synergies for the Z Holdings Group.

- Takeshi Idezawa achieved the successful rehabilitation of the management of the company formerly known as livedoor Co., Ltd., has demonstrated strong organizational control and leadership in supervising the overall management of the LINE Group, and has greatly contributed to the realization of the integration between the Company and LINE Corporation. The Company has renominated him as a director candidate so that, drawing from his expertise and experience, he can continue to strengthen the governance structure of the overall Z Holdings Group including that of LINE Corporation, and lead the rapid creation of synergies for the Z Holdings Group.

- Being responsible for product strategy and overseas business for the LINE Group, Jungho Shin has assumed a leading role in the creation of innovative products, thereby driving the growth of the LINE Group. The Company has renominated him as a director candidate so that Shin, with his strong track record, can lead the product strategy of the Z Holdings Group as the Company's Group Chief Product Officer, with the goal of propelling the dramatic growth of the Z Holdings Group.

- Since joining the Company in 2012, Takao Ozawa has grown the commerce business of the Z Holdings Group with strong leadership, such as in promoting the "e-commerce revolution". The Company has renominated him as a director candidate so that he can lead the further growth of the Z Holdings Group, whose business is increasingly diversifying due to the integration, based on his expertise in the Internet business and commerce fields as well as abundant experience in corporate management and broad knowledge in creating new businesses as an entrepreneur.

- Being responsible for the LINE Group's overall domestic product strategy and domestic marketing strategy in Japan, Jun Masuda has promoted efforts to improve the brand value of the LINE Group and promoted swift, innovative business development. The Company has renominated him as a director candidate, based on its assessment that his substantial experience will be critical in propelling the growth of the Z Holdings Group whose business is increasingly diversifying due to the integration, and improving the Group's overall brand value.

- Taku Oketani has deep insight and broad knowledge in the commerce and marketing fields of SoftBank Corp., which is closely involved in the business operations of the Z Holdings Group. The Company has renominated him as a director candidate so that he can strongly lead the generation of synergies within the Z Holdings Group and play an important role in the collaborations with SoftBank Corp.

- Yoshio Usumi has many years of business execution experience and track record in corporate administration. He also has abundant knowledge and track record in corporate management and corporate governance as well as deep insight in the IT business. He has served as the Company's outside director (independent director) and Audit and Supervisory Committee member for two years since June 2019 (full-time Audit and Supervisory Committee member since June 2020), and has provided appropriate advice on the Company's overall management and corporate functions. The Company expects that he will continue to contribute to the Company as a full-time member of the Audit and Supervisory Committee, and contribute to the improvement of the Company's corporate governance as the Chairperson of the Audit and Supervisory Committee and the Nominating and Remuneration Committee. The Company has renominated him as an outside director candidate serving on the Audit and Supervisory Committee for these reasons.

•Maiko Hasumi received an MBA from Stanford Graduate School of Business, and has substantial knowledge and experience in corporate management, as well as deep insight as a financial analyst, which she has accumulated from her career as a fund manager. The Company has selected her as a candidate to act as an outside director serving on the Audit and Supervisory Committee of the Company, with the expectation that she will provide useful advice and supervision concerning the Company's management especially from an investor's perspective.

•As a lawyer, Tadashi Kunihiro has a broad range of insight in corporate crisis management and compliance systems. The Company has selected him as a candidate to act as an outside director serving on the Audit and Supervisory Committee of the Company, in light of his track record for providing, as an outside director of the former LINE Corporation before the integration, appropriate and valuable advice and recommendations, particularly with respect to the establishment of crisis management processes. Although he has not been involved in corporate management other than having served as an outside director, the Company judges him suitable to serve as an outside director for the aforementioned reasons.

•Rehito Hatoyama received his MBA from Harvard Business School, and is highly experienced in corporate strategy for globalization, corporate governance and innovation in the IT and entertainment industries. He has substantial insight on business expansion and business management overseas, mainly in the content and character license businesses. The Company has selected him as a candidate to act as an outside director serving on the Audit and Supervisory Committee of the Company, in light of his track record of providing appropriate and valuable advice and recommendations from a practical viewpoint as an outside director of the former LINE Corporation before the integration, cultivated through his corporate management experience.

[Supplementary Principle 4-1-1: Scope of the delegation of tasks to the management staff]

The Board of Directors makes decisions regarding the Company's management policies, management strategies, business plans, acquisition and disposal of important assets, and important organizational and personnel matters, and supervises the execution of duties by the Representative Director. Specifically, items such as mergers and acquisitions, or the acquisition or liquidation of high value assets are within the purview of items to be resolved by the Board of Directors. Decisions regarding other individual business matters are, as a rule, to be handled by the management staff in accordance with the Regulations of the Board of Directors Meetings.

[Supplementary Principle 4-9: Independence standards for independent outside directors]

Z Holdings Corporation adopts the same independence criteria for independent directors as those specified by Tokyo Stock Exchange, Inc.

[Supplementary Principle 4-11-1: View on the appropriate balance between knowledge, experience and skills of the Board as a whole]

Z Holdings Corporation takes the following into consideration regarding the composition and scale of its Board of Directors:

- To ensure diversity among company directors, the Board of Directors of Z Holdings Corporation is constituted by not only directors with deep knowledge and diverse experience in the field of Internet service business; but also by individuals with experience of management from other industries and those with extensive, specialized knowledge in fields such as management, corporate planning, and finance.

Four non-executive directors

Two with experience of management from industries outside of Internet service

Two seasoned specialists in management, corporate planning, finance, etc.

One female

[Supplementary Principle 4-11-2: Directors who hold concurrent posts in other listed companies]

Major titles in other companies

- Kentaro Kawabe: SoftBank Group Corp., Board Director; SoftBank Corp., Board Director; ZOZO, Inc., Director
- Takao Ozawa: ASKUL Corporation, Outside Director; ZOZO, Inc., Director
- Jun Masuda: Demae-can Co., Ltd., Director
- Maiko Hasumi: CyberBuzz, Inc., Outside Board Member; Neural Pocket Inc., Outside Director
- Tadashi Kunihiro: OMRON Corporation, Outside Audit & Supervisory Board Member
- Rehito Hatoyama: Pigeon Corporation, Outside Director; transcosmos inc., Outside Director

[Supplementary Principle 4-11-3: Analysis and evaluation of the effectiveness of the Board of Directors as a whole]

Z Holdings Corporation conducts interviews with directors serving on the Audit and Supervisory Committee\* once a year on a regular basis, in order to analyze and evaluate the effectiveness of the Board of Directors. The effectiveness of the Board of Directors was referred to the Board of Directors again this fiscal year. As a result, it was confirmed that effectiveness of the Board is generally secured. In particular, in this fiscal year, the Company was commended for its thoroughness and improvement in the rules regarding the timing of prior distribution of Board of Directors meeting materials, which was an issue in the previous fiscal year. With regard to the scope of items to be discussed, which was recognized as an issue in the previous fiscal year, some improvements were made in the reporting of financial information, etc. However, we will continue to work on further improvements.

\*The interviews have not been held with the directors serving on the Audit and Supervisory Committee who assumed office on March 1, 2021.

[Supplementary Principle 4-14-2: Training policy for directors]

The Company ensures that the directors have opportunities to deepen their understanding of the business through explanations of the business and systems when they are newly appointed, as well as through advance explanations of proposals for Board of Directors meetings.

[Supplementary Principle 5-1-2: Policies concerning the measures and organizational structures aimed at promoting constructive dialogue with shareholders]

To promote good investor relations (IR), Z Holdings Corporation abides by the Financial Instruments and Exchange Law and the general guidelines set forth by Tokyo Stock Exchange, Inc. through timely, accurate, and fair disclosure of information. We have adopted the following policies in order to engage in constructive dialogue with our shareholders:

(1) Appointment of managers or directors to oversee the dialogue with shareholders

The President and Representative Director supervises the dialogue with shareholders and investors, and the Group Chief Financial Officer (GCFO) is placed in charge of the disclosure of information.

(2) Measures to ensure positive cooperation between internal divisions such as investor relations, corporate planning, general affairs, corporate finance, accounting and legal affairs with the aim of supporting dialogue

An internal IR division, which specializes in supporting dialogue, is established. In the course of completing its tasks, the IR division coordinates not only with the financial affairs, accounting, and legal affairs divisions, but also with divisions that develop business, to create documents suitable for release and help realize constructive dialogue with shareholders and investors.

(3) Measures to promote opportunities for dialogue aside from individual meetings (e.g., general investor meetings and other IR activities)

For securities companies and investors, Z Holdings Corporation holds Investors Meetings, in which

details of financial statements and business activities are explained. Leveraging live streaming, on-demand videos and teleconference systems, etc., we proactively share information about our business. Individual interviews and teleconferences are also held for securities companies and institutional investors, in which the President and Representative Director, Co-CEO or the management speak proactively about the growth strategies and share operational information about the Z Holdings Group.

For IR targeting foreign investors, Z Holdings Corporation creates the majority of the above disclosure publications in English. In addition, we visit our overseas investors hosting “Overseas Roadshows”, primarily in North America, the UK, and Asia, in which we gain the opportunity to directly engage in dialogues with our foreign investors. During this COVID-19 pandemic, we have created opportunities for online dialogues.

In regards to IR publications, from immediately after our initial public offering in 1997, we have continued to publish a detailed overview of our financial and business operations as a quarterly financial report to ensure timely disclosure. In addition, along with these reports, we summarize and disclose information on potential risks to the Company. Current publications, as well as an archive of all past ones, are published on the Company website.

Opinions and proposals from shareholders and investors comprehended through dialogues with them are summarized in a report and submitted to the directors, management and related internal divisions as feedback, or, in urgent cases, are communicated to the related parties immediately.

In keeping with the company’s “Regulations on the Prevention of Insider Trading”, material facts which have not yet been officially announced are thoroughly managed and appropriately handled. Regarding information on our business results, in order to prevent leaks in information and preserve impartiality, we have instated a quiet period. During this period, company representatives will refrain from answering any questions or providing any comments related to the business results.

(4) Measures to appropriately and effectively relay shareholder views and concerns learned through dialogue to the senior management and the Board

Opinions and proposals from shareholders and investors are summarized in a report and submitted to the directors, management and related internal divisions, or, in urgent cases, are communicated to the related parties immediately.

(5) Measures to control insider information when engaging in dialogue

In keeping with the “Regulations on the Prevention of Insider Trading”, material facts which have not yet been officially announced are thoroughly controlled and appropriately handled. In order to prevent leaks in information and preserve impartiality, we have instated a quiet period regarding information on our business results. During this period, company representatives will refrain from answering any questions or providing any comments related to the business results.

## 2. Capital Structure

Foreign Shareholding Ratio	More than 20% less than 30%
----------------------------	-----------------------------

### [Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
A Holdings Corporation	4,956,651,075	65.3%
The Master Trust Bank of Japan, Ltd. (Trust Account)	248,332,200	3.3%
JP MORGAN CHASE BANK 385632	209,984,725	2.8%
Custody Bank of Japan, Ltd.(Trust account)	182,283,000	2.4%
STATE STREET BANK AND TRUST COMPANY 505325	79,082,552	1.0%
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	61,890,400	0.8%
BNYM AS AGT/CLTS 10 PERCENT	51,027,607	0.7%
SSBTC CLIENT OMNIBUS ACCOUNT	50,282,268	0.7%
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	45,021,724	0.6%
Custody Bank of Japan, Ltd.(Trust account5)	41,321,800	0.5%

Controlling Shareholder (except for Parent Company)	-
Parent Company	SoftBank Corp. (TSE Securities Code: 9434)

### Supplementary Explanation

- Status of major shareholders is as of March 31, 2021. In addition to the above, the Company has treasury stock of 60,141,521 shares as of March 31, 2021.
- As a result of the tender offer for the Company's common stock from January 21 to February 18, 2021, A Holdings Corporation (former trade name: LINE Corporation) acquired 2,125,367,045 shares of the Company's common stock as of February 26, 2021, and became the Company's parent company and the largest and major shareholder. As a result of the share exchange between the Company and LINE Corporation (former trade name: LINE Demerger Preparatory Company) effective March 1, 2021, A Holdings Corporation is allocated with 2,831,284,030 shares of the Company's common stock. Please note that since A Holdings Corporation is a subsidiary of SoftBank Corp., SoftBank Corp. is the parent company, etc. that has the greatest influence on the Company.

## 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Information & Communication
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000

Sales (consolidated) as of the End of the Previous Fiscal Year	More than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 100 to less than 300

#### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

The parent company of Z Holdings Corporation is the SoftBank Group Corp., SoftBank Group Japan Corporation, SoftBank Corp., and A Holdings Corporation. Z Holdings Corporation has enacted “Regulations for Appropriate Business Transactions and Practices by Z Holdings Corporation, its Parent Company, Subsidiaries, and Affiliates”. In accordance with these regulations, Z Holdings Corporation strives to maintain its commitment to fair and proper transactions by expressly forbidding clearly advantageous or disadvantageous transactions with its parent company, etc. which are judged by comparing transactions with a third party or with other similar transactions, and performing of transactions for the purpose of shifting profits, losses, or risks.

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

##### (1) Basic view and policy underlying group management

The Company has numerous publicly listed subsidiaries. Under our mission statement “UPDATE THE WORLD,” which we share with our subsidiaries, we operate a wide range of businesses to realize our vision of creating a hopeful future whereby “Mankind can be free and in control” utilizing the power of information technology.

Under the goal of maximizing the Group’s value, the Z Holdings Group respects the autonomy of its subsidiaries and ensures their independence to work together to create synergies and to continuously evolve and grow.

##### (2) Measures to ensure effective governance structure for listed subsidiaries

We recognize that it is important for our listed subsidiaries to enhance their value in the medium and long term and thereby maximize the joint interest of all shareholders, including minority shareholders and Z Holdings Corporation. In this light, we exercise our voting rights for proposals of our listed subsidiaries.

In addition, for the purpose of managing the companies to which we invest, we have set forth the Regulations for the Management of Affiliated Companies, based on which we ask our subsidiaries and affiliates to seek our prior approval or inform us with respect to important decision-makings, etc. However, we refrain from imposing prior approval requirements on our listed subsidiaries that would affect their independence, and give consideration not to unduly constrain decision-making of each company.

##### (3) Significance of having listed subsidiaries

The significance of having listed subsidiaries is as stated below.

We believe that it would lead to greater business growth and enhanced value of each subsidiary – and would consequently better contribute to the Group’s overall value – if our listed subsidiaries operated under constant scrutiny of the stock market, while maintaining good relationships with their customers, business partners, employees, and other stakeholders, and pursue their autonomous business management that respects the interest of their minority shareholders. For this reason, at this point in time, we believe that it is preferable that these listed companies continue to be publicly listed.

#### ASKUL Corporation

ASKUL Corporation's business revolves around mail order service for BtoB, online mail-order services for individuals, and other delivery services. In the face of expanding use of online mail-order services in Japan, we believe that ASKUL's sustained independence and autonomy as a listed company, and its active collaboration with other companies in the Group, will contribute to enhancing the Group's overall value.

#### eBOOK Initiative Japan Co., Ltd.

eBOOK Initiative Japan Co., Ltd.'s main businesses are: content digitalization and distribution services; planning, development, and production of digital content; and publishing and editorial service for magazines and books. As we pursue higher quality and further growth of our Internet-compatible content services, we believe that eBOOK Initiative Japan's sustained independence and autonomy as a listed company, and its active collaboration with other companies in the Group, will contribute to enhancing the Group's overall value.

#### ZOZO, Inc.

The main businesses of ZOZO, Inc. are planning and operation of fashion EC website, operational support of brand's own EC websites, and operation of a fashion coordination app. As the Group aims to expand its e-commerce business among the younger generation, we believe that ZOZO's sustained independence and autonomy as a listed company, and its active collaboration with other companies in the Group, will contribute to enhancing the Group's overall value.

#### ValueCommerce Co., Ltd.

ValueCommerce Co., Ltd. is engaged mainly in marketing solution business (affiliate marketing) and EC solution business (Storematch/STORE's R<sup>∞</sup>). In order to maintain the Z Holdings Group's competitiveness in the increasingly competitive marketing solution business field, we believe that ValueCommerce's sustained independence and autonomy as a listed company, and its active collaboration with other companies in the Group, will contribute to enhancing the Group's overall value.

#### (4) Ensuring independence from the parent company

While one out of six directors of the Z Holdings Corporation (excluding those serving on the Audit and Supervisory Committee) concurrently serve as officer or employee of our parent company, the directors are responsible for supervising the execution of business in order to increase the corporate value of Z Holdings Corporation itself. The specific decisions about business operations are made independently by corporate officers using their own, independent decision-making process. Also, Z Holdings Corporation relies very little on its parent company or other members of its company group for its business transactions. Most of its partners in its transactions are consumers or corporations with no investment relationship with Z Holdings Corporation. Furthermore, Z Holdings Corporation has enacted "Regulations for Appropriate Business Transactions and Practices by Z Holdings Corporation, its Parent Company, Subsidiaries, and Affiliates". In these regulations, Z Holdings Corporation has intentionally and expressly stipulated the prohibition of: transactions with the parent company which are clearly advantageous or disadvantageous compared to transactions with third parties or to comparable transactions; and transactions for the purpose of shifting profits, losses, or risks.

Z Holdings Corporation has stipulated in the Regulations of the Board of Directors Meetings that a person having a special interest in the resolution of the Board of Directors cannot exercise his/her voting right. In addition, we endeavor to make an accurate judgment when determining whether a person falls under "a person having a special interest" by seeking advice of external experts as necessary.

Using all of these policies, Z Holdings Corporation has determined that it is sufficiently independent in its business operations from its parent company.

Please note that the Company establishes a Governance Committee as an advisory body to the Board of Directors. The Governance Committee consists of a total of four outside directors (independent directors), and discusses important matters related to the Group's governance and other matters in order to strengthen the supervisory function of the Board of Directors, further improve corporate governance, and protect the Company's minority shareholders by monitoring decision-making when transactions with the parent company and other Group companies are implemented.

## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-Making, Execution and Supervision of Business

### 1. Organizational Composition and Operation

Organization Form	Company with an Audit and Supervisory Committee
-------------------	---

#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	10
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board of Directors Meeting	President
Number of Directors	10
Election of Outside Directors	Elected
Number of Outside Directors	4
Number of Independent Directors Out of Outside Directors	4

#### Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	I	j	k	
Yoshio Usumi	From another company												
Maiko Hasumi	From another company												
Tadashi Kunihiro	From another company												
Rehito Hatoyama	From another company												

\* Categories for "Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

\* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of Z Holdings Corporation or its subsidiaries

b. Non-executive director or executive of a parent company of Z Holdings Corporation

c. Executive of a fellow subsidiary company of Z Holdings Corporation

d. A party whose major client or supplier is Z Holdings Corporation or an executive thereof

e. Major client or supplier of Z Holdings Corporation or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from Z Holdings Corporation besides compensation as a director/Audit and Supervisory Committee member

g. Major shareholder of Z Holdings Corporation (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of Z Holdings Corporation (which does not correspond to any of d, e, or f) (the director himself/herself only)

- i. Executive of a company, with which Z Holdings Corporation mutually appoints outside directors/Audit and Supervisory Committee member (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from Z Holdings Corporation (the director himself/herself only)
- k. Others

Outside Directors' Relationship with the Company (2)

Name	Audit and Supervisory Committee Member	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Yoshio Usumi	○	○	-	<p>Yoshio Usumi has many years of business execution experience and track record in corporate administration. He also has abundant knowledge and track record in corporate management and corporate governance as well as deep insight in the IT business. He has served as the Company's outside director (independent director) and Audit and Supervisory Committee member for two years since June 2019 (full-time Audit and Supervisory Committee member since June 2020), and has provided appropriate advice on the Company's overall management and corporate functions. On June 18, 2021, the Company selected him as a candidate for an outside director serving on the Audit and Supervisory Committee with the expectation that he will continue to contribute to the Company as a full-time member of the Audit and Supervisory Committee, and contribute to the improvement of the Company's corporate governance as the Chairperson of the Audit and Supervisory Committee and the Nominating and Remuneration Committee. He assumed office on the same date.</p>
Maiko Hasumi	○	○	-	<p>Maiko Hasumi received an MBA from Stanford Graduate School of Business, and has substantial knowledge and experience in corporate management, as well as deep insight as a financial analyst, which she has accumulated from her career as a fund manager. The Company selected her as a candidate to act as an outside director serving</p>

				on the Audit and Supervisory Committee of the Company, with the expectation that she will provide useful advice and supervision concerning the Company's management from an investor's perspective. She assumed office on March 1, 2021.
Tadashi Kunihiro	○	○	-	As a lawyer, Tadashi Kunihiro has a broad range of insight in corporate crisis management and compliance systems. The Company selected him as a candidate to act as an outside director serving on the Audit and Supervisory Committee of the Company, in light of his track record for providing, as an outside director of former LINE Corporation before the Business Integration, appropriate and valuable advice and recommendations, particularly with respect to the establishment of crisis management processes. He assumed office on March 1, 2021. Although he has not been involved in corporate management other than having served as an outside director, the Company judges him suitable to serve as an outside director for the aforementioned reasons.
Rehito Hatoyama	○	○	-	Rehito Hatoyama received his MBA from Harvard Business School, and is highly experienced in corporate strategy for globalization, corporate governance and innovation in the IT and entertainment industries. He has substantial insight on business expansion and business management overseas, mainly in the content and character license businesses. The Company selected him as a candidate to act as an outside director serving on the Audit and Supervisory Committee of the Company, in light of his track record of providing appropriate and valuable advice and recommendations from a practical viewpoint as an outside director of the former LINE Corporation before the Business Integration, cultivated through his corporate management experience. He assumed office on March 1, 2021.

**[Audit and Supervisory Committee]**

Committee’s Composition and Attributes of Chairperson

	Total No. of Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Audit and Supervisory Committee	4	1	0	4	Outside Director

Appointment of Directors and/or Employees to Support the Audit and Supervisory Committee	Appointed
--	-----------

Matters Related to the Independence of Such Directors and/or Employees from Executive Directors

In accordance with the “Regulations for Securing an Audit System for the Audit and Supervisory Committee Members”, Z Holdings Corporation has established an Audit and Supervisory Committee Office and has appointed employees whose sole task is to assist with the duties of the Audit and Supervisory Committee members and the duties of the Audit and Supervisory Committee. In addition, the system allows the Audit and Supervisory Committee members or the Audit and Supervisory Committee to independently hire additional employees to support the duties of the Audit and Supervisory Committee members if the Audit and Supervisory Committee members wish to do so. The instructions, orders to and the evaluation of the employee, who supports the duties of the Audit and Supervisory Committee and the Audit and Supervisory Committee member will be performed by the members of the Audit and Supervisory Committee, and all personnel changes and disciplinary measures targeting the employee must be carried out with the consent of the Audit and Supervisory Committee.

Cooperation among Audit and Supervisory Committee, Accounting Auditors and Division in Charge of Internal Audit

The Audit and Supervisory Committee members and accounting auditors hold regular meetings (and additional meetings as necessary) and collaborate to ensure that both parties are properly performing their auditing duties. In addition, the Audit and Supervisory Committee members and the Internal Audit Department, which is the division in charge of internal audit, hold regular meetings, and additional meetings as necessary, and collaborate to report on their respective auditing systems, audit planning, audit execution statuses, and audit results.

**[Voluntary Committees]**

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
---	-------------

Committee’s Name, Composition, and Attributes of Chairperson

Committee	Corresponding to	Committee	Corresponding to
-----------	------------------	-----------	------------------

	Nomination Committee	Remuneration Committee
Committee's Name	Nominating and Remuneration Committee	Nominating and Remuneration Committee
Total No. of Committee Members	6	6
Full-time Members	3	3
Inside Directors	2	2
Outside Directors	4	4
Outside Experts	0	0
Other	0	0
Chairperson	Outside director	Outside director

#### Supplementary Explanation

The Company establishes a Nominating and Remuneration Committee as a voluntary committee for the purposes of proposing to the Board of Directors, the nomination of Representative Director, directors and others, and deciding the remunerations, etc. of directors (excluding those serving on the Audit and Supervisory Committee). Proposals on restricted stocks and stock options are submitted to the Board of Directors promptly after the resolution in the Nominating and Remuneration Committee.

The Nominating and Remuneration Committee consists of six members, and is chaired by Yoshio Usumi, full-time independent outside director serving on the Audit and Supervisory Committee. The other members are: Kentaro Kawabe, President and Representative Director, Co-CEO; Takeshi Idezawa, Representative Director, Co-CEO; and Rehitto Hatoyama, Maiko Hasumi, and Tadashi Kunihiro, who are independent outside directors serving on the Audit and Supervisory Committee.

Based on the Regulation for the Nominating and Remuneration Committee determined by the Board of Directors, the Nominating and Remuneration Committee makes proposals, etc. to the Board of Directors on all matters related to the agenda of the shareholders meeting on the election and dismissal of the representative director and directors. The Committee will also establish and implement the succession plan of the representative director. Furthermore, based on the Regulations of Remunerations for Directors, the Committee determines the amount of remunerations, etc. of the directors (excluding those serving on the Audit and Supervisory Committee) after careful deliberation, taking into consideration the business performance in each quarter, contributions to the business performance, and other factors.

#### [Independent Directors]

Number of Independent Directors	4
---------------------------------	---

#### Matters relating to Independent Directors

Outside directors who qualify as independent directors are all appointed as independent directors.

#### [Incentives]

Incentive Policies for Directors	Performance-based remuneration, Stock Options
----------------------------------	---

#### Supplementary Explanation

•Z Holdings Corporation grants restricted stocks to some directors, excluding outside directors and directors serving on the Audit and Supervisory Committee, for the purposes of providing an incentive to sustainably increase the Company's corporate value, and to further promote shared value between the directors and the shareholders.

•Z Holdings Corporation grants stock options to the executive directors of the Group as a means of raising their awareness in management participation and enhancing corporate value.

#### Recipients of Stock Options

Inside Directors / Employees

#### Supplementary Explanation

Z Holdings Corporation grants stock options to the executive directors, and the employees of the Group, as a means of raising their awareness in management participation and enhancing corporate value.

### [Director Remuneration]

#### Disclosure of Individual Directors' Remuneration

Individual disclosure for part of the directors

#### Supplementary Explanation

The executive remunerations for fiscal year 2020 for Z Holdings Corporation directors are as follows. Currently, there is no system of retirement bonuses to the directors.

##### a) Remunerations, etc. by titles (JPY million)

Directors (excluding Audit and Supervisory Committee members) –

Total: 460, base remuneration: 170 bonus: 192, restricted stocks: 97, number of eligible directors: 6

(Of which for outside directors):

Total (-), base remuneration (-), bonus (-), restricted stocks (-), number of eligible directors (-)

Directors (Audit and Supervisory Committee members) –

Total: 87, base remuneration: 74, bonus: 13, restricted stocks: -, number of eligible directors: 6

(Of which for outside directors):

Total (87), base remuneration (74), bonus (13), restricted stocks: (-), number of eligible directors (6)

Total

Total: 547, base remuneration: 244, bonus: 205, restricted stocks: 97, number of eligible directors: 12

Total (87), base remuneration (74), bonus (13), restricted stocks (-), number of eligible directors (6)

(Note)

1. The amount of restricted stocks remuneration is the amount of restricted stock remuneration recorded in this fiscal year.
2. There are no remunerations, etc. received by the outside directors from the Company's parent company or the subsidiaries of the said parent company other than those prescribed above in this fiscal year.
3. Out of the directors, no director remuneration, etc. is paid to Masayoshi Son, Ken Miyauchi, and Kazuhiko Fujihara, who resigned on February 28, 2021.
4. The figure above includes the remuneration for two directors (directors serving on the Audit and Supervisory Committee) who resigned on February 28, 2021.

b) Remunerations, etc. by directors (JPY million)

Kentaro Kawabe (director) From the Company: Total 265, base remuneration 85, bonus 112, restricted stocks 68

Takao Ozawa (director) From the Company: Total 170, base remuneration 60, bonus 80, restricted stocks 29

(Note)

1. Only those whose sum of consolidated remuneration, etc. is JPY 100 million or over is noted here.)
2. For director Takao Ozawa, in accordance with agreements with certain subsidiaries signed during the fiscal year, there is a possibility that bonuses may be paid by such subsidiaries in the future based on their improved performance.

Policy on Determining Remuneration Amounts and Calculation Methods

Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

In regards to the handling of remuneration and other economic benefits paid to the directors (excluding those serving on the Audit and Supervisory Committee) as consideration for the execution of their duties (“Remuneration, Etc.”), the specifics of Remunerations, etc. shall be determined through a resolution by the Nominating and Remunerations Committee. This is stipulated in the Regulations of Remunerations for Directors (“Regulations”) resolved by the Board of Directors. The Regulations also prescribe matters related to the Nominating and Remunerations Committee (members, chairperson, authority, method of resolution, operation, etc.), and according to the Regulations, the Nominating and Remunerations Committee determines the specifics of the directors’ Remunerations, Etc., through the discussions and resolution by the members. However, details of restricted stock compensation (issuance price, number of shares to be granted, and other details such as allotment agreement, etc.) shall be decided by the resolution of the Board of Directors based on the amount of claims of Remunerations, Etc. determined by the Nominating and Remunerations Committee.

In the process of deciding the directors’ Remunerations, Etc. for fiscal 2020, the Nominating and Remunerations Committee convened twice, in addition to the Preparatory Committee and several meetings among relevant persons, to discuss and resolve the amount of directors’ fixed remuneration and performance-based remuneration for fiscal 2020, and the decision policy on the directors’ remuneration for fiscal 2021. However, details of restricted stock compensation (issuance price, number of shares to be granted, and other details such as allotment agreement, etc.) were decided by the resolution of the Board of Directors based on the amount of claims of Remunerations, Etc. determined by the Nominating and Remunerations Committee.

The date and details of resolutions by the shareholders meeting on the Remunerations, Etc. of the Company’s directors are as follows. Please note that the number of the Company’s directors shall not be more than ten (out of which the number of directors serving on the Audit and Supervisory Committee shall not be more than four) as stipulated in our Articles of Incorporation.

June 18, 2015

- The amount of remuneration to be paid to directors (excluding those serving on the Audit and Supervisory Committee) shall be within JPY 1 billion per year (out of which remuneration amount for outside directors shall be within JPY 200 million per year).
- The amount of remuneration to be paid to directors serving on the Audit and Supervisory Committee shall be within JPY 200 million per year.

June 20, 2017

• Separately from the above, the total amount of monetary compensation claims to be paid to the directors (excluding those serving on the Audit and Supervisory Committee and outside directors), for the purpose of in-kind contribution for acquiring restricted stocks shall be within JPY 400 million per year; and the maximum number of Company's common shares to be issued/disposed as consideration for the monetary compensation claims shall be 800,000 shares per year.

The Remuneration, Etc. paid to the Company's directors is composed of base remuneration (paid regularly) and performance-based remuneration (bonus and stock-based remuneration paid at a certain time after the end of the relevant fiscal year), and the basic policy on the proportion of the two remunerations is such that the portion of the performance-based remuneration exceeds the portion of base remuneration.

However, if a director concurrently serves in another company and receives director remuneration from that company, based on the details of the remuneration and responsibilities the director has in the Company, the Company may not pay all or part of the Remuneration, Etc., or if the Company pays remuneration, the portion of the performance-based remuneration may not exceed that of base remuneration, or the Company may not pay the performance-based remuneration.

In regards to the index on performance-based remuneration for the relevant fiscal year, consolidated operating income is used as the key indicator that measures the Group's profitability. In addition to operating income, the Company adopts several KPIs out of the management indices set as goals in its management policy, management environment and issues to be resolved, in relation to its business strategies. Furthermore, for the purpose of strengthening the directors' commitment from the risk management standpoint, evaluations are made comprehensively, adopting negative evaluations should a risk factor materialize.

The Company has decided to adopt adjusted EBITDA in lieu of consolidated operating income as the major index for the fiscal year ending March 31, 2022.

The amount of performance-based remunerations for the relevant fiscal year is resolved based on the discussions in the Nominating and Remuneration Committee, by taking consolidated operating income into account as the most important factor. Other factors such as the directors' contribution to various KPIs and the difference of these KPIs compared to the previous term are also comprehensively taken into account.

(Note)

The remuneration system and decision policy for the former LINE Corporation is as follows, and they will continue to be applied for the fiscal year ended March 31, 2021 and fiscal year ending March 31, 2022 on a temporary basis.

• The remunerations of Takeshi Idezawa, Jungho Shin and Jun Masuda consist of base remuneration, bonus and stock-based remuneration.

• Base remuneration: The amount of monetary remuneration is determined in accordance with the roles and responsibilities of each director, and a portion of the amount is paid monthly as base remuneration. The idea of emphasizing a sense of unity as a management team is reflected in the amount of monetary remuneration.

• Bonus: A portion of the base remuneration is paid as bonus, and is not performance-based. Part of the monetary remuneration is deferred and paid as bonus in order to enable the Board of Directors of the Company, based on the deliberation of the Nomination and Compensation Committee, to restrict the payment to a director who commits a materially inappropriate act that causes damage to the Group during his or her term of office.

• Stock-based remuneration: Stock-based remuneration plans (stock options or other stock-based remuneration) have been introduced as a means of creating social value on a medium- and long-term basis and as a means of continuing to provide value to all stakeholders. The Company issues and grants stock options or other stock-based remuneration for the contribution for each of the three fiscal years starting from the fiscal year ended December 31, 2019.

Please note that fiscal 2020's goal for operating income, the key index in regards to

performance-based remuneration, was over JPY 160 billion, and the result was JPY 162.1 billion.

### [Supporting System for Outside Directors]

Timely and necessary support is provided to the outside directors, such as providing them with opportunities to receive explanations about our business and systems when they are newly appointed, as well as opportunities to deepen their understanding of our business by offering explanations about the proposals of the Board of Directors meetings in advance.

## 2. Matters on Functions of Business Execution, Auditing, Supervision, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

### Corporate Governance System

#### (1) Board of Directors

The Board of Directors is responsible for corporate management policies, management strategy, business planning, the acquisition and liquidation of important assets, decision making regarding important organization and personnel matters, and the supervision of the business execution of the Representative Director.

The Board of Directors is constituted by the following members and is chaired by the President and Representative Director.

In order to ensure supervision and decision-making from objective and diverse points of view, four out of the ten directors are independent outside directors. In nominating the director candidates, the Board of Directors receives the proposals from the Nominating and Remuneration Committee of which two thirds is constituted by independent outside directors, takes the performance, experience, knowledge, popularity, etc. in and out of this Company of the candidates into account to resolve the appropriate candidates, and proposes the candidates to the shareholders meeting.

In addition, in order to ensure the effectiveness and efficacy of decision-making, the Board of Directors analyzes and evaluates the efficiency of meeting operations and the effectiveness and efficacy of resolutions every year, and discloses a summary of the results.

#### <Titles/names>

President and Representative Director, Co-CEO (Co-Chief Executive Officer): Kentaro Kawabe

Representative Director, Co-CEO (Co-Chief Executive Officer): Takeshi Idezawa

Director, GCPO (Group Chief Product Officer): Jungho Shin

Director, Senior Managing Corporate Officer: Takao Ozawa

Director, Senior Managing Corporate Officer: Jun Masuda

Director, Senior Managing Corporate Officer, GCSO (Group Chief Synergy Officer): Taku Oketani

Outside Director (Independent Director), Full-time Audit and Supervisory Committee Member: Yoshio Usumi

Outside Director (Independent Director), Audit and Supervisory Committee Member: Maiko Hasumi

Outside Director (Independent Director), Audit and Supervisory Committee Member: Tadashi Kunihiro

Outside Director (Independent Director), Audit and Supervisory Committee Member: Rehito Hatoyama

#### (2) Audit and Supervisory Committee

The Audit and Supervisory Committee is responsible for auditing and supervising the entirety of the company's business activities, including the appropriateness of policy, planning, and procedures; effective business implementation; and compliance to laws and regulations through

the perusal of important final decision documents, etc., the inspection of subsidiary companies, and so on. Furthermore, the Audit and Supervisory Committee receives reports on the auditing methods and results from the account auditors and internal audit methods and results from the division in charge of internal audit. Based on these activities, the Audit and Supervisory Committee regularly presents its opinions as an Audit and Supervisory Committee to the directors who are not Audit and Supervisory Committee members.

The Audit and Supervisory Committee is composed of four members, Yoshio Usumi, Maiko Hasumi, Tadashi Kunihiro, and Rehito Hatoyama, who are all independent outside directors, and is chaired by Yoshio Usumi.

In addition to the nomination standard of the Company's directors, the Company has set having social credibility as the criteria for the nomination of outside directors, and the independent standards set by Tokyo Stock Exchange, Inc. are used as the Company's independence standards.

Furthermore, in light of the Group's situation, Audit and Supervisory Committee members include persons with broad management experience such as management, corporate planning, finance, etc., as well as a lawyer specializing in risk management. The Audit and Supervisory Committee members and the accounting auditors hold meetings, periodically and when necessary, to collaborate on the proper execution of audits.

#### (3) Nominating and Remuneration Committee

The Company establishes a voluntary Nominating and Remuneration Committee for the purposes of proposing to the Board of Directors, the nomination of Representative Director, directors and others, and deciding the remunerations, etc. of directors (excluding those serving on the Audit and Supervisory Committee).

The Nominating and Remuneration Committee consists of six members, and is chaired by Yoshio Usumi, who is an independent outside director and a full-time member of the Audit and Supervisory Committee. The Nominating and Remuneration Committee also consists of: Kentaro Kawabe, President and Representative Director, Co-CEO; Takeshi Idezawa, Representative Director, Co-CEO; and Rehito Hatoyama, Maiko Hasumi, and Tadashi Kunihiro, who are independent outside directors serving on the Audit and Supervisory Committee.

Based on the Regulation for the Nominating and Remuneration Committee determined by the Board of Directors, the Nominating and Remuneration Committee makes proposals, etc. to the Board of Directors on all matters related to the agenda of the shareholders meeting on the appointment and removal of the representative director, and election and dismissal of directors. In the future, it plans to propose and implement a succession plan of the representative director. Furthermore, based on the Regulations of Remunerations for Directors, the Committee determines the amount of base remunerations and bonuses of the directors (excluding those serving on the Audit and Supervisory Committee) and makes proposals, etc. on non-monetary remunerations such as stock options and restricted stocks to the Board of Directors.

#### (4) Governance Committee

The Company establishes a Governance Committee as an advisory body to the Board of Directors. The Governance Committee is composed of four independent outside directors, Yoshio Usumi, Maiko Hasumi, Tadashi Kunihiro and Rehito Hatoyama and is chaired by Tadashi Kunihiro.

The Governance Committee strengthens the supervisory function of the Board of Directors, and will discuss important matters on the Group's governance, etc. to further improve corporate governance and protect the Company's minority shareholders.

### 3. Reasons for Adoption of Current Corporate Governance System

•Z Holdings Corporation regards corporate governance as a vital function in order to “enhance medium- to long-term corporate value” and conducts appropriate and effective corporate management. Meanwhile, Z Holdings Corporation has converted to a company with an Audit

and Supervisory Committee from June 2015, in order to establish both: a structure that encourages “aggressive governance” so that timely business decisions can be made in the Internet industry; and a structure that promotes the aim of the corporate governance code, namely “transparent, fair, timely, and decisive decision making”.

- In October 2019, Z Holdings Corporation moved to a holding company structure, with a view to promoting its business strategy more swiftly by enabling flexible and expeditious decision-making and optimum allocation of its management resources. Under this structure, the Company undertakes integrated management of the Group companies as its main responsibility, and each group company executes business. Z Holdings Corporation judges the current system to be the best whereby the speedy decision-making and monitoring of management is secured by dividing the basic roles of supervision of business management from the actual business execution, within the Group.

- As part of its ongoing effort to strengthen supervision and enhance the quality of decision-making, Z Holdings Corporation appointed four of the ten directors from independent outside director candidates upon the Business Integration in March 2021, with a view to ensuring supervision and decision-making from objective and diverse points of view.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Meeting of the Shareholders and Smooth Exercise of Voting Rights

	Supplementary Explanations
Scheduling General Meeting of the Shareholders Avoiding the Peak Day	Since its foundation, Z Holdings Corporation has consistently avoided scheduling its General Meeting of the Shareholders on the days on which those of other companies are frequently held, in order to facilitate the attendance of shareholders.
Allowing Electronic Exercise of Voting Rights	In order to allow more shareholders to exercise the right to vote, votes may be cast over the Internet.
Participation in Electronic Voting Platform and Other Measures to Improve the Environment for Exercising the Voting Rights by Institutional Investors	For increased convenience for institutional investors, we participate in Electronic Voting Platform for institutional investors.
Providing Convocation Notice (Summary) in English	For foreign investors, summarized convocation notices and shareholder meeting reference materials are provided in English as well as Japanese, and published on the Z Holdings Corporation website.
Other	<ul style="list-style-type: none"> <li>• For shareholders who are unable to attend or who live far away and in light of COVID-19, the Company provides a means of participating in the General Meeting of the Shareholders over the Internet while asking the shareholders to refrain from attending the meeting at the venue. As before, the proceedings of the General Meeting of the Shareholders continue to be broadcast live over the Internet and the video is archived for viewing on a later date.</li> <li>• If so desired and the proper arrangements are made, institutional investors holding shares in the name of a trust bank, etc. are able to observe the General Meetings of the Shareholders.</li> </ul>

#### 2. IR Activities

	Supplementary Explanations	Explanation by Representative

Regular Investor Briefings for Individual Investors	Detailed explanations using slides and other means, on recent management conditions, as well as mid- to long-term growth strategies are provided at its Ordinary General Meeting of the Shareholders with the goal of helping individual investors deepen their understanding of the Company's operations. Furthermore, for individual investors who are not able to attend these meetings in person, the presentations are streamed live and archived as video files for viewing on a later date.	Yes
Regular Investor Briefings for Analysts and Institutional Investors	At the earnings results briefing, financial results and details of business activities are explained to securities companies and investors. The proceedings are proactively distributed through various means such as Internet live streams, on-demand videos and telephone conferencing systems. Furthermore, individual interviews and teleconferences are provided for securities companies and institutional investors in which the President and Representative Director or other management staff speak proactively about the growth strategies and share managerial information about Z Holdings Corporation.	Yes
Regular Investor Briefings for Overseas Investors	"Overseas roadshows" are held, primarily in North America, the UK, and Asia, in which we gain the opportunities to directly engage in dialogue with our foreign investors. During this COVID-19 pandemic, we have created opportunities for online dialogues.	Yes
Posting of IR Materials on Website	Since immediately after our initial public offering in 1997, we have published quarterly financial reports to ensure timely disclosure and provide detailed overview of our financial and business operations. In addition, along with these quarterly reports, we provide a summary of matters that could become potential risks to the Company. Current publications, as well as an archive of all past ones, are published on the company website.	
Establishment of Department and/or Manager in Charge of IR	Z Holdings Corporation has appointed a GCFO responsible for the disclosure of information, has established an IR Department in the PR & IR Division as a dedicated department for communicating with analysts and institutional investors.	

### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Regulations for Respecting the Position of Stakeholders	Z Holdings Corporation stipulates a clear code of conduct within its "Charter of Corporate Behavior". We hope to respect the positions of our stakeholders, fulfill our corporate responsibilities to society, and improve corporate value.

<p>Implementation of Environmental Activities, CSR Activities etc.</p>	<p>The Company is committed to disclosing ESG information and ensuring accountability, and to work towards the realization of a sustainable society by unlocking the future and continuously providing solutions to social issues with the power of technology. To this end, the Company has identified sustainability issues (materiality) that are of particular importance, and has continued to implement initiatives to address these issues in line with its medium-term goals.</p> <p>In November 2020, the Company was selected for the first time as a component of the Dow Jones Sustainability World Index, one of the most prestigious global indices of ESG investment. Out of all index components, the Company was also selected as Industrial Leader in the Interactive Media, Services &amp; Home Entertainment sector.</p> <p>Climate change</p> <ul style="list-style-type: none"> <li>• The Company addresses climate change issues from both aspects of “mitigation” and “adaptation.” Mitigation includes integration of operation into high-efficiency data centers and use of data centers that are 100% powered by renewable energy. For adaptation, the Company provides information on weather disasters that are becoming increasingly severe and frequent, through disaster alliances with local governments, and participates in Social Emergency Management Alliance (SEMA), among others. The Company also upholds and participates in various initiatives, such as TCFD*1, CDP*2, and JCI*3, and actively discloses the progress that it has made in these aspects.</li> <li>• In January 2021, the core company of Z Holdings Corporation, Yahoo Japan Corporation, announced “FY2023 100% Renewable Energy Challenge,” which aims to realize 100% renewable energy for electricity used in its business operations by fiscal 2023.</li> </ul> <p>*1 Task Force on Climate-related Financial Disclosures: A task force established by the Financial Stability Board (FSB), an international body participated by central banks and financial supervisory agencies of major countries</p> <p>*2 International NGO that runs a global information disclosure system for investors, companies, cities, states, and regions to manage their environmental impacts</p> <p>*3 Japan Climate Initiative: A network to facilitate dissemination and exchange of information among companies, local governments, and NGOs that are committed to active climate change measures</p> <p>Measures taken towards the COVID-19 pandemic</p> <ul style="list-style-type: none"> <li>• In light of the spread of COVID-19, the Z Holdings Group places its focus on maintaining the Group’s business performance to deliver services to users while ensuring a safe work environment for the employees. Yahoo Japan Corporation, the Group’s core company, made a shift to a work style that allows its employees to decide where they work from each day (called “Dokodemo Office,” or “office anywhere”) in October 2020. The company has also adopted a flexible work system that allows the employees to</li> </ul>
--	---

	<p>arrange their own working hours, instead of specifying core working hours within the designated hours, so that they can schedule their work hours to maximize their job performance according to their desirable work-life balance and life stage (caregiving for family, etc.).</p> <ul style="list-style-type: none"> <li>• The Group delivers highly reliable information on COVID-19 and its prevention through Yahoo! JAPAN websites and apps, and has launched a number of portal sites to support people’s daily life scenes, such as shopping and children’s learning, during the pandemic. The Group resumed the “congestion radar” feature in Yahoo! JAPAN Maps, which was terminated in January. As part of our social contribution efforts, Yahoo Japan Foundation opened a collaborative donation account with a video creator HIKAKIN for supporting and mitigating the infection risks of the frontline healthcare workers. The project has raised 370,610,274 yen, which has been donated to multiple medical facilities and local governments.</li> </ul> <p>Efforts to protect children</p> <ul style="list-style-type: none"> <li>•LINE Corporation, a core subsidiary of the Company, is engaged in educational activities to promote the healthy use of the Internet by young people.</li> </ul> <p>In addition to improving the functions of its services so that young people can enjoy safe and secure communication, it works with teachers, guardians, and educational and governmental institutions to develop educational materials for information moral education, gives lectures at schools and related institutions nationwide, and conduct surveys and research.</p> <p>Furthermore, it supports counseling through chats using LINE against bullying and child abuse.</p> <p>By making it easier for all young people in Japan to seek advice, LINE Corporation hopes to eliminate bullying and create an environment where people can engage in learning and other activities with peace of mind. From fiscal year 2019, LINE Corporation began offering free use of the LINE Official Account for this project by the Ministry of Education, Culture, Sports, Science and Technology and sharing operational know-how.</p> <p>By cooperating with ministries, agencies, and local governments in building consultation services using LINE, LINE Corporation will contribute to building a society where people with concerns are not isolated.</p> <p>Specifics regarding our initiatives are reported in the Z Holdings Corporation website. (<a href="https://www.z-holdings.co.jp/en/sustainability/">https://www.z-holdings.co.jp/en/sustainability/</a>).</p>
Development of Policies on Information Provision to Stakeholders	Z Holdings Corporation has its own disclosure policy, and defines IR as: “strategic managerial obligation whereby finance, communication, and compliance with applicable laws and regulations are integrated and whereby effective bilateral communication between the company and the market is enabled in a fair and proper manner.” The Company strives to disclose information in an impartial and detailed manner.
Other	We believe that maintaining good physical and mental health of

	<p>those working in the Z Holdings Group is directly linked to their optimal work performance. We also believe that this leads to the happiness of our employees and their families. Guided by these beliefs, president, representative director, and Co-CEO Kentaro Kawabe proclaimed the Good Condition Declaration, and announced that amidst COVID-19, “the health, safety and security of the employees are the top priority” to all the employees of the Group.</p> <p>In Yahoo Japan Corporation, a core subsidiary of the Group, a corporate officer who concurrently serves as the president of the personnel-related group and Chairperson of YG Health Insurance Society, was appointed CCO (Chief Conditioning Officer). The Good Condition Promotion Office was established in Yahoo Japan Corporation to promote health and productivity management.</p> <p>In March 2021, Z Holdings Corporation was chosen as a brand of the “2021 Health &amp; Productivity Stock Selection” jointly selected by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange, and has been acknowledged in the large enterprise category (White 500) of the Certified Health and Productivity Management Organization Recognition Program 2021 by Nippon Kenko Kaigi.</p> <p>Going forward, we aim to continue to be a company where employees can approach their work both physically and mentally in optimal condition.</p> <p>*“Health and productivity management” is the registered trademark of Nonprofit Organization Kenkokeiei.</p>
--	--

#### IV. Matters Related to the Internal Control System

##### 1. Basic Views on Internal Control System and the Progress of System Development

<p>&lt;Systems to ensure proper business conduct&gt;</p> <p>In accordance with the Companies Act and Ordinance for Enforcement of the Companies Act, Z Holdings Corporation establishes the following system to ensure proper business conduct.</p> <p>1. Employees who assist the duties of Audit and Supervisory Committee</p> <p>(1) In order to assist with the duties of the Audit and Supervisory Committee, the Company shall appoint employees who do not concurrently serve the duties related to the business execution of the Company and the Group companies.</p> <p>(2) The Audit and Supervisory Committee members or the Audit and Supervisory Committee shall be able to independently hire additional support employees to support the duties of the Audit and Supervisory Committee members if the Audit and Supervisory Committee wishes to do so.</p> <p>2. Independence of the employees mentioned in the previous paragraph from the other directors (excluding those who are members of the Audit and Supervisor Committee)</p> <p>(1) The instructions, orders to and evaluation of the employees mentioned in the previous paragraph shall be performed by the members of the Audit and Supervisory Committee, and all personnel changes and disciplinary measures targeting the said employees must be carried out with the consent of the Audit and Supervisory Committee.</p>
---

3. Ensuring the effectiveness of instructions given by the Audit and Supervisory Committee to the employees prescribed in Paragraph 1

(1) The Company shall clarify the system for employees who shall exclusively assist the duties of the Audit and Supervisory Committee by establishing internal regulations, and shall ensure the effectiveness of instructions given by the Audit and Supervisory Committee to the said employees.

4. System for reporting to the Audit and Supervisory Committee

(1) The directors (excluding Audit and Supervisory Committee members) and employees of the Company; directors, auditors, etc. and the employees of subsidiary companies; or individuals, who receive reports from those in the positions listed above, shall report the items listed below to the Audit and Supervisory Committee or the Audit and Supervisory Committee members:

(i) Important items related to the Group

(ii) Status of the structure and operation of the system for internal control

(iii) Items that may considerably affect or damage the Group

(iv) Violations of applicable laws and regulations, or the Articles of Incorporation, and other important compliance-related items

(v) Status of internal audit of the Group

(vi) Deliberations of important cases

(vii) Status and results of deliberations for considering investment and loans (including cancellations)

(viii) Analysis and evaluation of risks that have high importance to the Group

(ix) Operation of compliance system in the Group and status of whistleblows to the compliance hotline, etc.

(x) Other items which the Audit and Supervisory Committee deems necessary to have reported for the execution of its duties

(2) The Group Chief Financial Officer (GCFO) and the person in charge of the legal division shall hold periodic meetings with the Audit and Supervisory Committee members for information sharing, and shall report important business-related matters.

5. Systems to ensure that the reporters of the items in the preceding paragraph do not receive disadvantageous treatments due to the reports

(1) The Company shall define in the internal regulations that those who have made reports, whistleblows or consultations using the internal whistleblower system will not receive disadvantageous treatments due to the said reports, whistleblows and consultations, and will notify this in order to ensure the effectiveness in utilizing the whistleblower system.

6. Policy related to the advance payment or repayment of expenses incurred in the course of the execution of the duties of Audit and Supervisory Committee members (limited to the duties of the Audit and Supervisory Committee), and the processing of other expenses and debts incurred in the course of the execution of the said duties

(1) If Audit and Supervisory Committee members make requests to the Company on the prepayment, etc. of expenses with respect to the execution of their duties in accordance with Article 399-2, Paragraph 4 of the Companies Act, the Company shall, upon confirmation with the division in charge, promptly process such expense or debt, except in cases where it proves that the expense or debt relating to the said request is not necessary for the execution of the duties of the said Audit and Supervisory Committee members (limited to the duties of the Audit and Supervisory Committee).

(2) If the Audit and Supervisory Committee requests an independent outside specialist (lawyer, certified public accountant, etc.) to be the adviser of the Audit and Supervisory Committee, the Company shall bear its expense except in cases where it proves that such adviser is not necessary for the execution of the duties of the members of the Audit and Supervisory Committee (limited to the duties of the Audit and Supervisory Committee).

7. Other systems to ensure effective audit by the Audit and Supervisory Committee

(1) The Audit and Supervisory Committee or an Audit and Supervisory Committee member shall be able to receive reports from the directors (excluding directors who serve on the Audit and Supervisory Committee) and employees of the Company, and directors, auditors, etc. and employees of subsidiaries, if they deem it necessary.

(2) The members of the Audit and Supervisory Committee shall be able to attend important management meetings and participate in the consideration of important management policies of the Company, and shall be able to attend any internal meetings upon the Audit and Supervisory Committee member's request.

(3) Full-time Audit and Supervisory Committee members shall serve as members of meetings that supervise the risk management of the Group and as members of meetings that supervise the compliance system of the Group.

8. Systems for the storage and management of information related to the execution of the duties of the Company's directors

(1) Documents related to important corporate decision-making processes including shareholder meeting minutes, board of directors meeting minutes, "ringi" (request for managerial decision), etc.; and document records of business execution such as accounting books, financial statements, and expense sheets, etc.; are stored with a set storage period and storage location as prescribed in internal regulations, etc., and may be viewed by the directors at any time.

9. Regulations concerning the risk management of losses by the Company and other systems

- (1) The Company shall determine a systematic approach to recognize, manage, and deal with risks to our business in the internal regulations.
- (2) Regulations for extraordinary disaster control shall be established to ensure business continuity during an outbreak of a large-scale environmental disaster.
- (3) In preparation for the emergence of risks and occurrence of incidents, the division in charge of incident management shall furnish an incident reporting system to provide prompt reports of the situation, address the issue, and prevent future recurrences.
- (4) In order to ensure the effectiveness of information security management, the Company shall appoint a Group Chief Information Security Officer (GCISO) and shall establish a supervisory organization of information security.
- (5) Internal regulations on the basic criteria for handling information assets shall be set, disseminated, and training on them shall be conducted.
- (6) An organization that comprehensively handles information security incidents shall be established and information on information security incidents shall be managed and handled in an integrated manner.

#### 10. Systems to ensure the efficient execution of the duties of the Company's directors

- (1) A corporate officer system shall be adopted to allow flexible and efficient business execution.
- (2) Internal regulations shall be established to clarify the scope of jobs, authorities and responsibilities necessary for the execution of duties.
- (3) Meetings shall be held to discuss and deliberate important matters related to management, and shall support the efficient business execution by the directors.
- (4) A company-wide goal shared by directors and employees shall be set and penetrated.
- (5) Internal audit shall be conducted on the efficiency and effectiveness of the execution of business duties, and improvement activities shall be continuously conducted.

#### 11. Systems to ensure that the execution of duties by directors and employees of the Company comply with applicable laws, regulations, and Article of Incorporation

- (1) "Charter of Corporate Behavior" and the Z Holdings Group Code of Conduct shall be established in order to thoroughly enforce legal compliance as a basis of corporate activities, and shall be notified to all employees.
- (2) The division which supervises compliance issues shall be under the responsibility of the corporate officer in charge of the legal division so that corrective actions can be taken quickly should compliance issues be uncovered. The division shall work to establish a company-wide compliance system, to identify compliance issues within the company, and to provide periodic reports on the status of compliance to the meetings that supervise the compliance system of the Group.
- (3) Internal regulations on whistleblows shall be established, and a system shall be in place for the President, Chief Executive Officer (CEO), or full-time Audit and Supervisory Committee members

to receive direct reports and whistleblown reports, or for the external lawyers to receive anonymous reports and whistleblown reports. When such reports are received, the division in charge of compliance supervision shall: investigate the details of the report; if noncompliance with applicable laws, regulations and Article of Incorporation are found, instruct to improve the situation; discuss and decide preventive measures with the responsible divisions; and enact them on a company-wide level. In particular, important issues such as the noncompliance by the directors themselves, shall be immediately reported to the directors, submitted to the board of directors, and deliberations shall be requested. The operation of this system shall be periodically reported to the board of directors and shall be monitored by the board of directors.

(4) The division in charge of compliance supervision, division in charge of internal audit, and the Audit and Supervisory Committee shall collaborate on a regular basis, and the division in charge of compliance supervision shall carry out seminars and other internal awareness activities.

(5) Noncompliance with applicable laws, regulations, and Article of Incorporation on the part of employees shall be reported from the corporate officer in charge of the personnel division or the legal division to the Committee of Reward and Punishment and punishment shall be requested. Noncompliance with applicable laws, regulations and Article of Incorporation on the part of directors shall be reported by the corporate officer in charge of the legal division to the Audit and Supervisory Committee, and specific disciplinary actions, etc. shall be reported to the board of directors.

(6)The Company is resolutely opposed to anti-social forces that menace the order and safety of civil society, and shall endeavor to prevent transactions with such forces.

12. Systems to ensure proper business conduct of our corporate group consisting of Z Holdings Corporation, its parent companies, and its subsidiary companies

(1) System for the reporting of items related to the execution of business duties by the directors, etc., of the subsidiary companies to the Company.

(i) An appropriate reporting system according to the function and importance, etc. of the subsidiary company shall be established, and an agreement regarding corporate management shall be concluded with unlisted subsidiaries (excluding subsidiaries that require independence in their management such as financial holding companies), in accordance with internal regulations related to the management of affiliated companies. The said subsidiary shall be requested to acquire approval from or shall be requested to report to Z Holdings Corporation on important matters.

(2) Regulations concerning risk management of losses by subsidiary companies and other systems

(i) Internal regulations related to internal audits shall be established, and the division in charge of internal audit shall perform audits on the Company as well as on the entire operations of the subsidiary companies. The effectiveness of the audits shall be ensured by stipulating in the agreement regarding corporate management provided in the previous item, that the subsidiary companies shall, in principle, accept the Company's audits and cooperate as necessary to the audits.

(ii) Division and employee responsible in the Company for each subsidiary company shall be clarified

in the internal regulations related to the management of affiliated companies. The regulations shall stipulate that the said division shall provide instruction, assistance and advice on the recognition, evaluation, analysis and response to the risk factors of the relevant subsidiary company, and that the supervising division of group strategy in the Company shall provide cross-sectional support for these measures.

(iii) The agreement regarding corporate management provided in the previous item shall stipulate that the subsidiary company shall report incidents to the Company's division in charge, if an incident or other event which may impede business execution occurs in the said subsidiary company. Also, in the event that a risk actualizes and an incident, etc. occurs, the said subsidiary company or the Company's division that received reports from the said subsidiary shall promptly share said reports with all related divisions within the Company.

(3) Systems to ensure the efficient execution of the duties by the directors, etc. of the subsidiary companies

(i) The division within the Company which is responsible for the subsidiary company shall provide instruction, assistance and advice regarding the formulation of the management policies and mid- to long-term management plans of the subsidiary company.

(ii) Depending on the size and business nature of the subsidiary, various systems that can be commonly used within the Group shall be introduced.

(iii) Instructions, assistance, and advice shall be provided by the supervising division of group strategy in the Company regarding the raising and investment of funds by subsidiary companies.

(4) Systems to ensure that the execution of duties by directors, etc. and employees of subsidiary companies comply with applicable laws, regulations, and Article of Incorporation

(i) "Charter of Corporate Behavior" and the Z Holdings Group Code of Conduct common to the Group shall be presented to foster a uniform commitment to legal compliance among all directors and employees.

(ii) In order to ensure the independence between the parent and subsidiary companies, "Regulations for Appropriate Business Transactions and Practices by the Company, its Parent Company, Subsidiaries, and Affiliates" shall be established.

(iii) Group CCO meetings shall be established to be attended by the compliance officers of the Group companies.

(iv) Brainstorming sessions shall be conducted by persons in the division in charge of compliance supervision with persons in charge of compliance in the subsidiary companies when necessary.

(v) The Company's division in charge of internal audit shall instruct each Group company to model on the Company's internal control system to establish an internal control environment.

(vi) Using a compliance hotline, directors and employees of the Group shall also be able to directly report issues to an outside lawyer.

<Outline of the operational status of the systems to ensure proper business conduct>

1. Measures to ensure effectiveness of audits conducted by the Audit and Supervisory

#### Committee

- (1) In accordance with an internal regulation, Z Holdings Corporation has appointed employees whose sole task is to assist with the duties of the Audit and Supervisory Committee. The independence of these employees from business execution divisions is stipulated in this regulation.
- (2) The Company provides periodic reports to the Audit and Supervisory Committee on important matters related to the Group, the status of the internal audit, security, ERM (Enterprise Risk Management) activities, compliance, and other matters for which report is requested by the Committee. In addition, the Company provides individual reports on matters deemed important from the viewpoint of audit etc. to the Audit and Supervisory Committee members or to the Committee.
- (3) Information is shared and views are exchanged periodically between the Audit and Supervisory Committee and the accounting auditor in regards to the financial status of the Company.
- (4) The Group Chief Financial Officer and the person in charge of the legal division hold regular meetings with full-time Audit and Supervisory Committee members in order to exchange information, and provide information on important business matters.
- (5) An internal regulation stipulates that necessary information must be provided upon request from Audit and Supervisory Committee members. Also, the Company puts into place an internal regulation that stipulates that whistleblowers will not receive disadvantageous treatments due to their whistle-blowing, which is notified and thoroughly adhered to.
- (6) The Company pays for the expenses necessary for audit activities upon request from the Audit and Supervisory Committee. The Committee employs an external lawyer as an adviser, at the Company's expense, and receives legal advice on the execution of the duties of the Audit and Supervisory Committee from this lawyer.
- (7) An internal regulation stipulates that Audit and Supervisory Committee members may at any time request information necessary for their duties from directors (excluding for those serving on the Audit and Supervisory Committee), managers, other employees of the Company, or the Company's subsidiary companies.
- (8) Audit and Supervisory Committee members are allowed to attend meetings where important decision-making takes place and any other meetings the members wish to attend. Full-time Audit and Supervisory Committee members serve as members of meetings that supervise the risk management of the Group and as members of meetings that supervise the compliance system of the Group, and thus receive reports directly from these divisions in charge.

#### 2. Measures on the storage and management of information related to the execution of the duties of the Company's directors

Based on an internal regulation, information related to important corporate decision-making processes including shareholder meeting minutes, and board of directors meeting minutes is appropriately recorded and managed so that it may be viewed by the directors upon request at any time.

#### 3. Measures regarding the system on risk management

- (1) Regulations related to the Company's risk management and information security are put in place. Based on these regulations, an ERM framework is established and executed, extraordinary disaster control measures are established, and information security system is established and executed. In addition, these are notified to the employees through debriefing meetings and trainings, etc., which enhance the employees' skills and abilities on risk management.
- (2) The management, including the President, revise the policy on countermeasures to the risks of the Group as needed, based on the results of risk assessment and management review.
- (3) In order to prevent the recurrence of incidents and losses and decline in the credibility of

the Company, an incident reporting system is put in place, whereby incidents are reported and emergency countermeasures and preventive measures are implemented.

- (4) The Company appoints a Group Chief Trust Security Officer (GCTSO), who supervises information security management. In addition, the Company establishes a supervisory organization of information security, which gives support to the management and operation of the information security of the Company and the Group, as well as an organization that comprehensively handles information security incidents.
- (5) The supervisory organization of information security plays a central role in promoting the education on information security management, and in thoroughly notifying the employees.
- (6) The Company receives a review by a third party Information Security Management System (ISMS), and revises the certification on this management system.

#### 4. Measures to improve the effectiveness of business execution

- (1) The Company employs a system of corporate officers, and establishes internal regulations, which clarifies the scope of duties, authorities and responsibilities required for business execution. In this way, authorities are proactively delegated.
- (2) In order to conduct appropriate decision-making on important matters related to management, necessary and adequate deliberation processes are prepared and operated, and deliberations are made from multiple angles.
- (3) A company-wide goal and vision in line with the Company's strategy are set and instilled. In addition, in order to realize the mission and vision, the Company has clarified the roles of each organization and is working to promote them.
- (4) Throughout the year, the division in charge of internal audit has held audits on each division in order to improve the company-wide evaluation on the efficiency and validity of business execution. In addition, it conducts company-wide audits by themes, such as company-wide security management, etc.

#### 5. Status of measures regarding compliance

- (1) The "Charter of Corporate Behavior" and the Z Holdings Group Code of Conduct are notified to all employees, and training programs are continuously held towards all employees in order to raise the awareness towards compliance.
- (2) The division in charge of compliance organizes the compliance structure across the company, and endeavors to grasp issues in the Company and in the group companies.
- (3) An accessible whistleblowing system is in place for employees to make anonymous reports not only to the division in charge of compliance but also to the president, full-time Audit and Supervisory Committee members, and outside lawyers. The division in charge of compliance investigates matters reported, gives instructions on improvements as needed, and takes actions based on the decisions of the Committee of Reward and Punishment, etc.
- (4) Regulations on the Elimination of Antisocial Forces is established and based on this regulation, a system is put in place and operated in order to prevent transactions with antisocial forces. In addition, continuous internal trainings are conducted on the prevention of transactions with antisocial forces.

#### 6. Status of measures to ensure proper business conduct of our corporate group

- (1) An "Agreement regarding Corporate Management" is concluded with unlisted companies that have newly become subsidiaries. The subsidiaries are requested to acquire prior approval from, or make reports to Z Holdings Corporation on important matters related to the subsidiaries, depending on the function and importance, etc. of the subsidiary.

- (2) The division in charge of internal audit of Z Holdings Corporation conducts audits on major subsidiary companies in order to manage the risk of losses in these companies, and supports the internal audit divisions of subsidiaries by dispatching persons in charge of internal audit, etc.
- (3) The division in charge of risk management supervises the ERM activities of the Group, and supports the establishment and operation of ERM structure in each subsidiary.
- (4) Group CISO meeting is held as an information sharing forum in regards to information security in the subsidiary companies and affiliates. The level of information security across the whole Group is enhanced by introducing, in several subsidiary companies, anti-malware systems similar to the one introduced in the Company and by sending persons in charge from our supervisory organization on information security to the subsidiaries.
- (5) A system to report material incidents that have occurred in subsidiary companies is put in place so that the supervising/related divisions in the Company can rapidly grasp the details of the incidents in subsidiary companies.
- (6) The division within the Company which is responsible for the subsidiary company provides instruction, assistance and advice regarding the formulation of the management policies and mid- to long-term management plans of the subsidiary company. In addition, various systems that can be commonly used within the Group, such as accounting control system, are put in place.
- (7) Instructions, assistance, and advice shall be provided by the division in charge of finance in the Company regarding the raising of funds by subsidiary companies.
- (8) "Charter of Corporate Behavior" and the Z Holdings Code of Conduct common to the Group are presented to foster a uniform commitment to legal compliance throughout the Group.
- (9) Transactions between the Company, the Company's parent companies and subsidiaries are conducted with due attention paid to ensure the independence between the parent and subsidiary companies.
- (10) Through Group CCO meetings, etc., which are constituted by the Company's division supervising compliance and the compliance officers of the Group companies, the Company shares information with the compliance officers of the subsidiary companies when necessary, and supports the compliance related activities of the subsidiary companies.
- (11) The Company's division in charge of internal audit instructs the subsidiary companies to model after the Company's internal control system to establish an internal control environment.
- (12) In regards to a whistleblowing system, the directors and employees of the Group are also able to directly report issues to an outside lawyer.

## 2. Basic Views on Eliminating Anti-Social Forces

The Z Holdings Group has a policy to eliminate any and all relationships that the company might have with anti-social forces that menace the order and safety of civil society, and to resolutely oppose any unreasonable demands.

Based on this policy, the mandate for total separation from anti-social forces is clearly stated in our “Charter of Corporate Behavior”. In addition, Regulations on the Elimination of Antisocial Forces is established, which thoroughly rejects any relationship with anti-social forces, clearly indicating that even tangential relationships must be avoided and that absolutely nothing shall be done which may support the activities of such forces or groups. Moreover, in addition to preparing and disseminating manuals and circulars, as well as carrying out training programs regarding this policy, we also cooperate with external specialized organizations such as relevant police and government agencies and legal offices. The Group is a member of the National Center for Removal of Criminal Organizations, etc., and are engaged in collecting information about anti-social forces and the proper way to handle unreasonable demands, thereby strengthening our system for dealing with such scenarios.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
------------------------------------	-------------

Supplementary Explanation

-

### 2. Other Matters Concerning Corporate Governance System

#### 1. Attitude regarding the timely disclosure of information

Z Holdings Corporation carries out timely disclosure of important company information in accordance with the timely disclosure rules of the Tokyo Stock Exchange, the Financial Instruments and Exchange Law and other relevant laws and statutes as well as our own “disclosure policy”, which summarizes the company’s stance on the disclosure of information. According to this policy, we strive to provide accurate and impartial release of company information once it has been thoroughly investigated and managed. In addition, from immediately after our initial public offering in 1997, we have published a quarterly financial report to ensure timely disclosure and provide a detailed overview of our financial and business operations. Furthermore, Z Holdings Corporation proactively provides this information by publishing all current and past disclosed information and explanatory materials on the investor information page of the company website, along with English versions of these documents for easy perusal by anyone.

#### 2. Corporate system related to the timely disclosure of company information

Company-wide initiatives have been adopted to ensure the internal management of company information and its proper and timely disclosure. Multiple divisions dedicated to these tasks have been established under the oversight and instruction of the senior management. In order to increase the accuracy and depth of content of the disclosed information, the documents are checked by individuals in multiple divisions while internal auditors simultaneously and periodically check the competency of the internal control structure. Also, the eligibility and legality of accounting records are regularly reviewed by account auditors. In addition, timely and appropriate information is reported from the subsidiaries to the senior management and individuals in dedicated positions at Z Holdings Corporation. In accordance with the Company’s disclosure policy, this information is disclosed depending on the importance of said information.

The system related to the disclosure of information in Z Holdings Corporation is as follows:

(1) Co-CEO, personnel responsible for information disclosure

Internal management of important corporate information, supervision of the timely and proper disclosure of such, and giving of instructions regarding close cooperation between companies.

(2) Legal Management Division

Management of important company information, acting as the Board of Directors' secretariat office; performance of legal checks; management of internal information (insider trade prevention); understanding of management-related information of subsidiaries; day-to-day management support and information sharing with the administrative business of subsidiaries, etc.

Furthermore, in collaboration with the Finance Management Division and PR & IR Division, as the division in charge of information disclosure, it is responsible for the preparation of information release materials (IR releases) for publication using TDnet, and disclosure of information to investors and shareholders, etc.

(3) Finance Management Division

Supervision and information management of investment projects; preparation of securities report and others; understanding of financial information of subsidiaries; and cooperation with account auditors.

(4) PR & IR Division

Organization of the earnings results briefings; preparation of information release materials (IR releases) for publication using TDnet, in collaboration with the Legal Management Division; and communications with institutional investors and the press.

(5) Group Risk Management Department

Collection and compilation of information regarding new risks to the business of the Z Holdings Group in collaboration with all group companies, and publishing of the important risk information in securities reports.

3. Work processes related to the timely disclosure of corporate information

(1) Disclosure of facts related to decisions and incidents

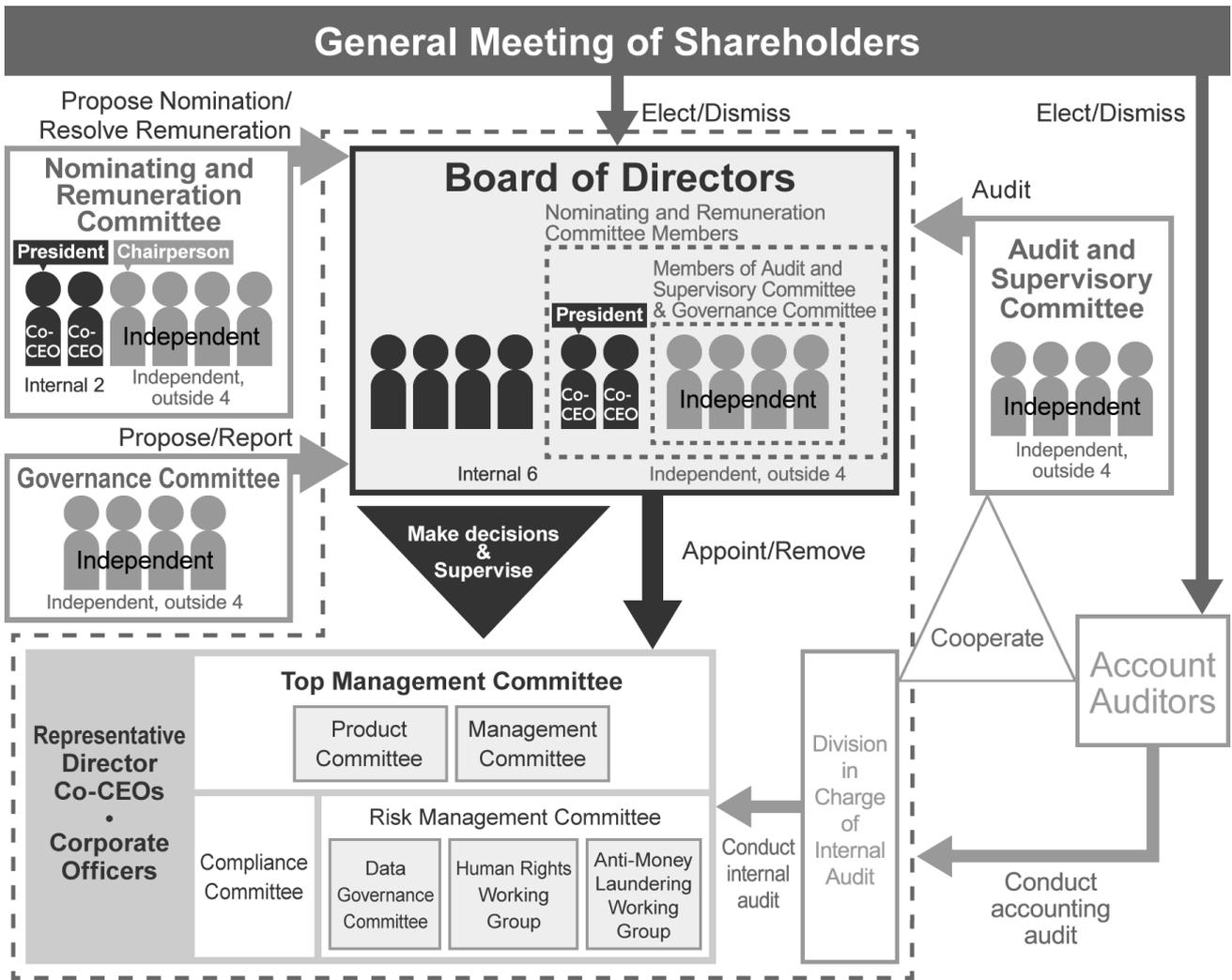
Every internal department is to consult with the Legal Management Division, Finance Management Division, and PR & IR Division regarding relevant information in advance. The Legal Management Division and Finance Management Division will judge each case from a legal standpoint in light of laws such as Financial Instruments and Exchange Act, will make judgment based on Cabinet Office Ordinance on Disclosure of Corporate Affairs and will determine if the case is important or not based on the rules of timely disclosure of the securities exchange.

Afterwards, based on the content of the case, both divisions will collaborate to create disclosure documents for release after they have been discussed and approved by the Board of Directors or approved by the personnel responsible for the disclosure of information.

(2) Disclosure of financial information and risk information

The Finance Management Division and the Legal Management Division collect financial information on the business results of the Company and the companies in the Z Holdings Group, and create materials, while information related to business risks is collected by the Group Risk Management Department. The information is released after it has been approved by the President and Representative Director and personnel responsible for the disclosure of information.

# Corporate Governance System



## Disclaimer

Unless otherwise specified, English-language documents are prepared solely for the convenience of non-Japanese speakers. If there is any inconsistency between the English-language documents and the Japanese-language documents, the Japanese-language documents will prevail.