

Last Update: June 24, 2022

Z Holdings Corporation

Kentaro Kawabe, President and Representative Director, Co-CEO

Contact: +81-3-6779-4900

Securities code: 4689

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

The corporate governance of Z Holdings Corporation (the “Company” or “ZHD”) is described below.

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

1. Basic Views

The Z Holdings Group (the “Group”) regards corporate governance as an indispensable function for increasing corporate value over the medium to long-term. As stated in the “Promises to Our Users (Charter of Corporate Behavior),” each director and employee fully understands his or her required role, maintains proper corporate governance to earn the trust and understanding of all, and conducts efficient corporate activities.

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

[Supplementary Principle 2.4.1: Ensuring diversity in the appointment, etc. of key personnel]

The Company acknowledges that ensuring diversity in the appointment, etc. of key personnel is an extremely important theme for the Group, given the nature and scope of its businesses. Each Group company is already taking steps to increase the flexibility of work styles and options for employees to make the most of their diversity, in addition to key personnel, in order to encourage them to play an active role. Some key ESG data are already disclosed below. However, based on the current situation of each Company, the Group will discuss its future direction, philosophy, and management structure, etc., and determine what the targets should look like, and the human capital development policy. Details are available on the Company's sustainability website:

<ESG Data>

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

[Supplementary 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 establishes 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 serving as a full-time Audit and Supervisory Committee member. The succession plan for the Representative Director and directors is positioned as one of the most important agenda items in this Nominating and Remuneration Committee, and during the fiscal year ended March 31, 2022, the Committee is discussing a wide range of issues, including the experience and skills required and the method of appointment.

From the fiscal year ending March 31, 2023 onward, the Company plans to continue to position succession planning as an important agenda item, hold repeated discussions, and work on the formulation of a specific succession plan.

[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 include those with broad management experience in administration, corporate planning, finance, etc., and a lawyer who has a high level of expertise in governance. 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.

The Company conducts an evaluation of the effectiveness of the Board of Directors with the aim of further improving the governance of the Company and the Group. In fiscal 2021, feedback interviews with outside

directors serving on the Audit and Supervisory Committee, interviews at the Governance Committee and other meetings, and questionnaires, etc. to all directors were conducted, and all the results were analyzed and evaluated by the Board of Directors.

[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, the Company does 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, the Company takes capital cost into account to consider the revision of business portfolio and distribution of management resources. Furthermore, taking into account the possible effects of the business integration with LINE Corporation on the Group's business portfolio and allocation of management resources, continuous monitoring is conducted by regularly reporting the progress of integration at the Board of Directors meetings. 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 1.4: Cross-shareholdings]

■ Policy on acquisition/possession and results of assessment

The Company does not have any so-called mutual shareholdings. For all of the shares held by the Company, the Company, in principle, decides the policy of 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 Group. More specifically, the shareholding policy and its rationale are examined periodically in the Top Management Committee and the Board of Directors meetings, verifying the profitability of the shareholding from the viewpoints of risks, costs and returns associated and evaluating the business effects derived from business collaborations, etc., with the invested companies. As a result, comprehensive judgements are made on whether or not the shareholding will lead to the development of the Company's business and the improvement of the corporate value of the Z Holdings Group.

■ 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 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 special interest conflicts or not, the Company endeavors to make the right judgments by seeking the opinion of external experts as necessary.

· When doing business with its directors or a company in which its director serves as a representative director, whereby 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 reported to the Board of Directors once every three months.

· The Company's Board of Directors is composed of 10 directors, four of whom are independent outside directors, ensuring independence. In addition, as an advisory body to the Board of Directors, the Company establishes a Governance Committee composed of the said four independent outside directors. The said Committee deliberates on important matters related to the governance of the Group, etc., in order to strengthen the supervisory function over the Board of Directors, to further improve corporate governance, and to protect the Company's minority shareholders by monitoring decision-making when transactions are conducted with the Group companies, such as the parent companies.

[Principle 2.6: Roles of corporate pension funds as asset owners]

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 i): 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, the Group believes 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, the Group aims 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* for the overall Group. The reasons for setting these indicators are as follows:

Revenue: This indicator was chosen because it is the source of all earnings and can also represent growth and profitability, as well as business size.

Adjusted EBITDA: This indicator was chosen because it provides a measure of recurring profitability by excluding non-cash income and expenses, such as depreciation and amortization, and one-time gains and losses, such as impairment losses and remeasurement gains and losses from business combinations.

As common indicators for the whole company, Yahoo Japan Corporation uses number of monthly logged-in user IDs, time spent by logged-in users, and others. LINE Corporation uses monthly active users, ratio of daily active users (DAU) to monthly active users (MAU), and others. Indices for the Media Business are advertising-related revenue and number of LINE Official Accounts among others. As indicators for the Commerce Business, the Group uses e-commerce transaction value, etc., and for the Strategic Business, PayPay GMV and number of PayPay payments of PayPay Corporation, credit card transaction volume of PayPay Card of PayPay Card Corporation, and number of PayPay Bank Accounts of PayPay Bank Corporation, etc. are used as indices.

* Adjusted EBITDA: Although adjusted EBITDA is not a financial measure as defined in IFRS, the Company has adopted this indicator in order to enhance understanding of the Group's performance and to use it as a key indicator in assessing the current performance. Therefore, it is possible that other companies may use different calculation methods or use the indicator for different purposes than this Group.

(3) Medium- to Long-Term Business Strategies

(a) 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, the Company has 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 the Company expects a dazzling evolution in the environment of the highly competitive Internet market in the future.

The businesses of the Z Holdings Group can be largely classified into Media Business, Commerce Business and Strategic Business. In the Media Business, a business in which the Group has been engaged ever since its

foundation, total advertising expenditures in Japan was JPY 6.7998 trillion for 2021, according to Dentsu Inc. Out of this, Internet advertising spending recorded JPY 2.7052 trillion, exceeding the total advertising expenditures in the four traditional media markets for the first time, and is leading the growth of the entire advertising market. Internet advertising media expenditures, which exclude Internet advertising production expenditure and advertising expenditure for merchandise-related EC platforms from the Internet advertising spending, continue to grow, and amounted to JPY 2.1571 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.

For the Commerce Business, according to a research by the Ministry of Economy, Trade and Industry (“METI”), the BtoC e-commerce market is approximately JPY 19.2 trillion in 2020, and the EC ratio in the merchandising sector is 8.08%. Japan’s EC ratio is rising every year, and the Group sees considerable upside potential. Specifically, it is expected that requests to stay home following the outbreak of COVID-19 will trigger expansion of e-commerce use and that the EC ratio in Japan will further increase.

Furthermore, in the Strategic Business, although cashless payment is a highly prospective field, according to METI, Japan’s cashless payment ratio in 2020 is about 30%, a low level compared to other countries. In March 2018, METI announced its Cashless Vision and its “Declaration of Payment Reform,” setting a target of hiking the ratio of cashless payment to 40% by 2025. Going forward, the market for the Commerce Business and Strategic Business is expected to expand and the online and offline domains to merge even further through the use of big data and technologies, and through payment methods such as mobile payment.

(b) Management strategy

Throughout the history of the Z Holdings Group, the development of its services has been based on a user-first philosophy. The Group’s business scale and organization have changed over the years, but its commitment to the enhancement of service usability and the enrichment of people’s lives has never altered. Because the Group believes that a deeper and more multifaceted understanding of its users’ needs is essential to the fulfillment of this commitment, the Group is working to gain the best possible understanding about user needs by accumulating and using data. Ultimately, the Group aims to be the homegrown Japanese platform operator with the best understanding of users in Japan. The cross-use of multi-big data plays a central role in understanding the people living in Japan to the best, solving social issues through the provision of the best user experience, and creating the future. Positioning itself in its third founding since fiscal 2018, the Company has made active investments in future growth to transition to a data-driven company with a business model that leverages its multi-big data.

The Group offers various services that center on media, e-commerce, and fintech in differing business domains of the Media, Commerce and Strategic Businesses. The Z Holdings Group is a globally unique corporate group that covers from online to offline services in a comprehensive manner. The abundance of data collected through its extensive lineup of services provides the Group with an important competitive edge in the creation of new and unique services. The Group aims to provide optimal services for each and every user, and to provide even higher-quality user experiences through the cross-use of data received from each service.

One of the key initiatives undertaken to achieve this goal is the strengthening of collaborations with SoftBank

Corp. From before, the Group has 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, the Group aims to achieve further growth and improve its 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 bases, which is both vast in volume and wide in variety will also play a key role in achieving the goal.

Furthermore, in order to strongly promote these initiatives and to become a leading corporate group in Japan and Asia, the Group has completed the business integration with LINE Corporation on March 1, 2021. The business integration has largely increased the number of countries and regions for which the Group provides services. The Group will endeavor to create synergies in each field by leveraging LINE Corporation's user base of 174 million people in major Asian countries and regions, and vigorously build a future possible only by the Group.

In addition, proceeding with the management that spans these varieties of services and group companies will lead to stable revenue generation. The Group believes that this contributes to stabilizing the business base because having a variety of revenue sources and business models can disperse impacts of emergency situations such as the outbreak of COVID-19. The Group will leverage such competitive edge and strength to create new user experiences through higher-quality services that meet the needs of its users. Through these measures, as its medium-term target, the Company aims to achieve a revenue of JPY 2 trillion and 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, it will maximize the capacity of its data and will aim to become an enterprise that enhances the value of the whole society.

Basic Policy of Major Business Segments

Media Business

The Media Business provides various media services that are indispensable to the daily lives of users. These services are used by many, and the major source of revenue for the Media Business is advertising. In an emergency situation such as the COVID-19 pandemic, it is imperative that needed information and services are provided appropriately and rapidly. Based on the user-first principle the Group has upheld since its foundation, it believes that providing needed services at the right time will enhance its credibility as a media platform, which in turn will lead to an increase in the number of users over the medium- to long-term, and ultimately to an increase in advertising revenue.

An important index on service usage, the number of monthly logged-in user IDs of Yahoo! JAPAN, has expanded steadily and is approximately 55 million IDs and LINE's monthly active users in Japan is around 92 million at the end of the fiscal year ended March 31, 2022. Yahoo! JAPAN was ranked No. 1 and LINE No. 3 in a 2021 ranking on total digital reach in Japan, held by a third-party institution. In addition, unique assets not available in competitors have been incorporated as a result of the integration with LINE Corporation. By utilizing the AI technologies of NAVER Corporation and assets of LINE Corporation, the Group will continue to realize a new marketing solution that comprehensively supports not only the "funnel for acquiring new customers" from recognition to interest, but also the "funnel for boosting customer loyalty" from purchase to

CRM. Furthermore, the Group will provide solutions that commit to conversions by utilizing the accumulated data in combination with PayPay and LINE Official Accounts, etc. As a result, the Group will realize a 1:1 marketing that provides the best suited proposal for each user and will aim to increase the use frequency. The Group also regards its entry into the offline world to be a new chance for its business and is promoting initiatives to also make users' lives in the offline world even more convenient. Using the offline payment data through PayPay, it will comprehensively visualize user actions from “encounter with information” to “purchase” which will give it a foothold to increase its market share in the sales promotion market.

Commerce Business

The Group's Commerce Business provides e-commerce-related services and membership services, etc. Shopping business transaction value has continued to record a firm year-on-year growth rate every term as a result of successful collaborations with companies including SoftBank Corp., PayPay Corporation, and ZOZO, Inc., expanding to a scale exceeding approximately JPY1.6 trillion in the fiscal year ended March 31, 2022. In PayPay Mall, a premium online shopping mall launched in fiscal 2019, “X (Cross) Shopping,” which enables users to make an online purchase of items from the inventories of physical stores was also introduced. Through this, the Group aims to acquire a market share in the offline consumer market, which has a size of approximately JPY 140 trillion. In addition, as a measure resulting from the integration with LINE Corporation, the Group will integrate the loyalty programs of each company and use the three sources of actions (Yahoo! JAPAN, PayPay, and LINE) to promote cross-use of services and to further expand its ecosystem. As a medium- to long-term measure, the Group will deploy social commerce utilizing LINE's communication function such as gift, team purchase, and live commerce, as well as Quick Commerce that enables customers to receive products in as little as 15 minutes. One of the new measures leveraging the Group's collaboration is the deployment of “MySmartStore” which utilizes the expertise of NAVER Corporation. Through this measure, the Group plans to launch a service in full-scale in fiscal 2022 that supports companies from the construction of their EC website to maximization of their revenues. In the Quick Commerce business, the Group has begun full-scale development of Yahoo! JAPAN Mart by ASKUL in which food and daily necessities sold by ASKUL Corporation are delivered by delivery staff from Demae-can Co., Ltd., with the goal of covering the entire Tokyo area by the end of fiscal 2022. The Group will continue to achieve a sustainable growth in the e-commerce transaction value by improving the logistics services through the business alliance to strengthen logistics and delivery concluded with Yamato Holdings Co., Ltd. (announced in March 2020), enhancing loyalty programs, and developing convenient and value-for-money services utilizing the Group's strength and Group-wide assets, such as social commerce and Quick Commerce.

Strategic Business

For the payment business, preparations are underway to consolidate the domestic QR/barcode payment businesses of PayPay and LINE Pay. The target of this consolidation is within fiscal 2022. From August 2021, PayPay QR codes became readable on LINE Pay. Furthermore, the Group aims to expand its ecosystem by diversifying payment methods, such as by the launch of PayPay Card in December 2021 and a deferred payment service in February 2022. In the future, through collaborations with PayPay Corporation and LINE

Corporation, the Group will continue to accumulate and utilize a variety of offline life data, centering on payment data originating from PayPay and LINE Pay, to develop financial services such as securities, insurance, NFT (Non-Fungible Token) and O2O (online to offline/traffic referral) business, etc., that meet user needs and grow them into a wide array of profit-earning businesses.

In LINE Corporation, LINE NEXT Corporation was established in South Korea and LINE NEXT, Inc. in the United States in December 2021, as ventures dedicated to developing and expanding the global NFT ecosystem. LINE NEXT Corporation will strategically plan the global NFT platform business, while LINE NEXT Inc. will operate the global NFT platform business. In March 2022, LINE NEXT Inc. announced that it has formed 26 partnerships with a range of companies to develop and expand the global NFT ecosystem. NFTs based on the popular IP content of the partner companies are scheduled to be developed and to be offered to users to trade using familiar payment methods.

[Principle 3.1 ii): 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 its “Charter of Corporate Behavior,” the directors and employees fully understand their expected and required roles, will maintain sound corporate governance and will practice efficient corporate activities in order to earn the trust and sympathy of the Company’s stakeholders.

[Principle 3.1 iii): Board policies and procedures in determining the remuneration of the senior management and directors]

The Company has positioned executive remuneration as one of the key management strategies to encourage the management team to exercise their leadership. In the Board of Directors meeting held on May 17, 2022, the Company has made significant review to its executive remuneration plan to encourage bold risk-taking by the management team through executive remuneration and to enable the Company to achieve sustainable growth. As a result of the review, a new "Policy for Determining the New Remuneration, Etc., for Individual Directors" has been established subject to approval of each proposal for the revision of executive remuneration at the Company’s 27th ordinary general meeting of shareholders held on June 17, 2022.

The review of the executive remuneration system, changes to the Regulations of Remunerations for Directors, etc., and the framework for the executive remuneration plan (the Remuneration Policy) have been deliberated by the Nominating and Remuneration Committee.

For details, please refer to the following announcement.

<Establishment of a New Remuneration Policy and Revision of Executive Remuneration Plan>

https://www.z-holdings.co.jp/en/ir/news/auto_20220517549742/pdfFile.pdf

[Principle 3.1 iv): 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 serving as a full-time Audit and Supervisory Committee member, 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 v): 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 iv)”]

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 in important positions of the Z Holdings Group including manager of the Group’s core services such as Yahoo! JAPAN News and Chief Operating Officer (COO), and CEO of Yahoo Japan Corporation, contributing to the growth of the Z Holdings Group. 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 Z Holdings Group even further, continue to strengthen the governance structure of the overall Z Holdings Group, 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 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 while he concurrently serves as the President and Representative Director, CEO of Yahoo Japan Corporation, so that he can lead the further growth of the Z Holdings Group, whose business is increasingly diversifying due to the integration between the Company and LINE Corporation, 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, while he concurrently serves as the President and Representative Director, CPO of Z Entertainment Corporation, 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 between the Company and LINE Corporation, 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 Group companies including 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 three 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. She has served as an outside director (independent director) on the Audit and Supervisory Committee of the Company since March 2021 and has provided useful advice and supervision concerning the Company's management in the Board of Directors meetings, etc., from an investor's perspective. The Company has therefore renominated her as an outside director candidate serving on the Audit and Supervisory Committee.

· As a lawyer, Tadashi Kunihiro has a broad range of insight in corporate crisis management and compliance systems. Based on his expertise, he has a track record of providing appropriate and valuable advice/recommendations at various board of directors meetings, etc., as an outside director and outside corporate auditor for many listed companies, including the Company. In his capacity as Chairperson of the Governance Committee of the Company, he has established a strong governance structure for the Company. In light of this record, the Company judges him suitable to continue performing duties as an outside director

and has renominated him as an outside director candidate serving on the Audit and Supervisory Committee.

- 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. In light of his track record of providing appropriate and valuable advice/recommendations from a practical viewpoint in the Company's Board of Directors Meetings, cultivated through his corporate management experience, the Company has renominated him as an outside director candidate serving on the Audit and Supervisory Committee.

[Supplementary Principle 3.1.3: Initiatives, etc. on sustainability]

The Company aims to realize a sustainable society by disclosing information on sustainability and fulfilling its accountability, opening the way to the future with its technological capabilities, and continuously solving social issues. While striving for an accurate understanding of the external environment surrounding the Group, the Company identifies key issues (materiality) based on an analysis of the risks and opportunities that arise from such environment, to set medium-term goals, and continues to promote initiatives that align with these goals. With the key issues in mind, the Company aspires to create new data solutions not only to generate profit, but also to contribute to solving social issues, by leveraging its strengths such as the diverse services it encompasses as well as its user base, which is one of the largest in Japan. This in turn will support the realization of the Company's mission: UPDATE THE WORLD - Unleashing the infinite potential of all people, with the power of information technology.

Furthermore, in light of the new management structure following the business integration with LINE Corporation, and the changing demands of society, etc., the identified materiality issues have been reviewed and revised in March 2022.

Details are available in the section "Implementation of Environmental Activities, CSR Activities etc." of this report, and the Company's sustainability website.

<Information on sustainability>

<https://www.z-holdings.co.jp/en/sustainability/stakeholder/#anc1>

(a) Human capital and intellectual properties

In order to develop further businesses centered around AI, the Group is aiming to increase the number of engineers in Japan and overseas involved in the use of AI, and in addition to recruitment, Z AI Academia was established to train AI talents among the group companies, and assist existing employees to become AI professionals.

Furthermore, based on the basic policy of appropriately protecting intellectual property rights, which are important assets to the Group's business, as well as respecting the intellectual property rights of third parties, the Company has established an intellectual property portfolio in each of the various fields in which it operates. In particular, AI is regarded as the key technology for the success of new services, and research and development on technologies to create new value is continuously conducted, by combining AI with a variety of big data. The Company actively applies for patents to ensure that the results can be used safely and securely

in its services, and provides some of its useful AI technologies free of charge, to external service providers to use.

Details are available on the Company's sustainability website.

<Human Capital Development and Training Programs>

<https://www.z-holdings.co.jp/en/sustainability/stakeholder/16/>

<Intellectual Property>

<https://www.z-holdings.co.jp/en/sustainability/stakeholder/18/>

(b) Tackling climate change

The Company recognizes the risks posed by climate change as a significant risk to its management, and takes seriously the recommendations issued by TCFD. A scenario analysis on climate change has been conducted, and the risks and opportunities disclosed, in line with the TCFD format. The Company also supports and participates in various initiatives such as CDP*¹, JCI*², and RE100*³, actively disclosing the status of its initiatives.

In February 2022, the Company announced its "2030 Carbon Neutrality Declaration," a commitment to reduce greenhouse gas emissions ("GHG emissions") from the business activities of the entire Group to net-zero by FY2030. Yahoo Japan Corporation declared the "FY2023 100% Renewable Energy Challenge" in January 2021, aiming to achieve the shift to 100% renewable energy for electricity used for business operations such as in data centers by FY2023. In 2016, ASKUL Corporation ("ASKUL") declared the "2030 CO₂ Zero Challenge" and has introduced renewable energy and electric vehicles (EVs) to fulfill its aim to achieve zero CO₂ emissions from business sites and logistic centers that ASKUL has direct influence on, as well as from vehicles used to deliver goods from logistic centers to customers.

Carbon Neutrality Declarations have also been announced in other major ZHD Group companies such as LINE Corporation ("LINE") and ZOZO, Inc. ("ZOZO"). LINE announced its "2025 Carbon Neutrality Declaration," committing itself to reducing GHG emissions to net-zero by FY2025. In addition to its operation of highly efficient data centers, LINE will work to convert to renewable energy. ZOZO also announced its "2030 Carbon Neutrality Declaration," declaring to reduce its GHG emissions to net-zero by FY2030. So far, ZOZO has worked on the recycling of clothing by offering a trade-in discount service, "Replacement Discount," and reselling collected items, as well as the introduction of renewable energy in its head office and logistic centers. ZOZO will continue to introduce renewable energy in other locations as well.

To achieve the goal by FY2030, first, more than 80% of the electricity used by major Group companies will be generated from renewable energy sources by around FY2025, and then the remaining electricity will be converted to 100% renewable energy sources over the following five years. Furthermore, in order to absorb the GHG emissions of other Group companies that are aiming to convert to 100% renewable energy in the 2030s, Yahoo Japan Corporation has begun its initiatives to become carbon negative to enable the entire Group to achieve carbon neutrality by FY2030. In June 2022, the Company joined RE100.

Moreover, the Z Holdings Group cooperates with the companies operating businesses together to reduce the indirect GHG emissions of collaborating companies.

Details are available on the Company's sustainability website.

<Legal Compliance and Fulfillment of Responsibilities in the International Community>

<https://www.z-holdings.co.jp/en/sustainability/stakeholder/21/>

*¹An international NGO that operates a global information disclosure system to help investors, companies, cities, countries, and regions manage environmental impacts.

*²Japan Climate Initiative: a network to reinforce the communication and exchange of information between companies, local governments, and NGOs actively working to tackle climate change.

*³A global initiative led by the Climate Group and CDP which aims to source 100% of electricity for business operations from renewable sources.

[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 high value investments and loans, and 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.

[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 4.10.1: Policy regarding the independence of the composition of the committees]

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 and proposing to the Board of Directors, 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, f independent outside director serving as a full-time Audit and Supervisory Committee member.

The other members are: Rehito Hatoyama, Maiko Hasumi, and Tadashi Kunihiro, who are independent outside directors serving on the Audit and Supervisory Committee; Kentaro Kawabe, President and Representative Director, Co-CEO; and Takeshi Idezawa, Representative Director, Co-CEO. The independence of the Nominating and Remuneration Committee is ensured by the fact that the majority of the members are independent outside directors. In addition, the decision-making process is also designed to ensure independence, as decisions are made by a majority of all committee members.

The Nominating and Remuneration Committee also discusses the diversity of directors and will continue to discuss the skills and experience required of directors and the composition of directors, etc., taking into consideration future changes in the business environment as well as the future image of the Company.

[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 administration, corporate planning, and finance.

Four non-executive directors

Two with experience of management from industries outside of Internet service Two seasoned specialists in administration, corporate planning, finance, etc.

One female

The Nominating and Remuneration Committee also discusses the diversity and necessary skills of the Board of Directors, including independent outside directors, and will continue to discuss how to ensure the diversity of the Board of Directors in the future, including future changes in the business environment as well as the skills, experience, etc., required of directors.

[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; Demae-can Co., Ltd., Outside Director
- Jun Masuda: Demae-can Co., Ltd., Outside 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]

The Company conducted an evaluation of the effectiveness of the Board of Directors with the aim of further improving the governance of the Company and the Group. The method and results of the evaluation, as well as issues to be addressed in the future, are described below.

<Method of evaluation>

Feedback interviews were conducted with outside directors serving on the Audit and Supervisory Committee immediately after the Board of Directors meetings (11 times in total), and interviews were also conducted at the Governance Committee and other meetings regarding the effectiveness of the Board of Directors. In

addition, a questionnaire was sent to all directors at the end of the fiscal year, and all the results were analyzed and evaluated by the Board of Directors.

<Results of the evaluation and future issues to be addressed>

Based on the content of the feedback interview conducted immediately after the Board of Directors meeting, measures such as increasing the time for discussion on strategies were flexibly implemented during the term. As a result, the results of the abovementioned interviews, etc., confirmed that the agenda and time allocated for Board of Directors meetings are appropriate, and that board meeting materials are distributed and explained appropriately in advance. In addition, steady improvement was confirmed in the review of the scope of agenda items for the Board of Directors meetings, which was an issue in the previous fiscal year.

Furthermore, a questionnaire conducted with all directors indicated that the Company's Board of Directors is generally effective in all of the following evaluation items. Based on the results of these interviews and questionnaires, the Board of Directors analyzed the results and concluded that the Company's Board of Directors is effective as a whole.

On the other hand, the results of this analysis and evaluation identified the following issues as challenges: providing information to the Board of Directors to deepen discussions on strategy, further enhancing feedback from stakeholders as identified through dialogue with shareholders, and operating the Board of Directors meetings in a manner that takes into account the Company's governance characteristics.

In fiscal 2022, the Company will strive to recognize and improve the abovementioned issues, and will also continue to proactively address other issues to further enhance the effectiveness of the Board of Directors and improve the corporate value of the Group.

<Reference: Major evaluation items in the questionnaire>

Composition and operation of the Board of Directors

Management strategies and business strategies

Corporate ethics and risk management

Performance monitoring

Evaluation and remuneration of the management team

Dialogue with shareholders

[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. The Company has adopted the following policies in order to engage in constructive dialogue with its shareholders:

(i) 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.

(ii) 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 in charge of businesses, risk management, security, human resources, procurement and ESG, to create documents suitable for release and help realize constructive dialogue with shareholders and investors.

(iii) 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., the Company proactively shares information about its business. Individual interviews and teleconferences are also held for securities companies and institutional investors, in which the Co-CEOs or the top 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, the Company visits its overseas investors hosting "Overseas Roadshows", primarily in North America, Europe, and Asia, in which it gains the opportunity to directly engage in dialogues with its foreign investors. In recent years, due to restrictions on overseas travel following the increase in the COVID-19 infections, it has been difficult to visit overseas investors through the "Overseas Roadshows." Therefore, the Company also provides opportunities for ongoing dialogue with a wide variety of foreign investors through videoconferencing.

In regards to IR publications, from immediately after the Company's initial public offering in 1997, the Company has continued to publish a detailed overview of its financial and business operations as a quarterly financial report to ensure timely disclosure. In addition, along with these reports, the Company summarizes and discloses 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 its business results, in order to prevent leaks in information and preserve impartiality, the Company has instated a quiet period. During this period, company representatives will refrain from answering any questions

or providing any comments related to the business results.

(iv) 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.

(v) 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, the Company has instated a quiet period regarding information on its 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	20% or more and less than 30%
----------------------------	-------------------------------

Status of Major Shareholders

Name or Company Name	Number of Shares Owned	Percentage (%)
A Holdings Corporation	4,853,802,475	64.78
The Master Trust Bank of Japan, Ltd. (Trust Account)	503,729,900	6.72
Custody Bank of Japan, Ltd.(Trust account)	164,565,300	2.19
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	56,752,653	0.75
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	56,747,251	0.75
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	55,091,815	0.73
STATE STREET BANK AND TRUST COMPANY 505325	54,554,652	0.72
MSIP CLIENT SECURITIES	54,378,448	0.72
BNYM AS AGT/CLTS 10 PERCENT	50,127,438	0.66
J.P.MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS - SEGR ACCT	49,079,440	0.65

Name of Controlling Shareholder, if applicable (excluding Parent Company)

Name of Parent Company, if applicable

SoftBank Corp. (Listed Stock Exchange: Tokyo (Code: 9434))

- Status of major shareholders is as of March 31, 2022. In addition to the above, the Company has treasury stock of 103,032,700 shares as of March 31, 2022.
- 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.
- In connection with Tokyo Stock Exchange, Inc.'s restructuring of the market segments in April 2022, the Company decided on December 3, 2021 to acquire its treasury stocks, and as a specific method of acquisition, to conduct a tender offer for its shares (the "Tender Offer"). The purpose of the Tender Offer is to meet the tradable share ratio standard (35%) required for listing on the Prime Market, in order to achieve the Company's sustainable growth and increase its corporate value over the medium- to long-term. Through the Tender Offer, the Company acquired 102,848,600 shares of its common stock from A Holdings Corporation. As a result, A Holdings Corporation's voting rights ratio in the Company is 64.8%. 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 Exchange and Market Segment	Tokyo Stock Exchange Prime Market
Fiscal Year-End	March
Business Sector	Information & Communication
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1000 or more
Net Sales (Consolidated) as of the End of the Previous Fiscal Year	JPY 1 trillion or more
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	100 or more and fewer than 300

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

The parent company of Z Holdings Corporation is 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. In addition, the Company mandates that certain transactions and actions with the parent company be discussed by the Governance Committee.

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 its mission statement “UPDATE THE WORLD,” which it shares with its subsidiaries, the Company operates a wide range of businesses to realize its 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

The Company recognizes that it is important for its 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, the Company exercises its voting rights for proposals of its listed subsidiaries.

In addition, for the purpose of managing the companies to which the Company invests, the Company has set forth the Regulations for the Management of Affiliated Companies, based on which it asks its subsidiaries and affiliates to seek its prior approval or inform it with respect to important decision-makings, etc. However, the Company refrains from imposing prior approval requirements on its listed subsidiaries that would affect their independence, and gives consideration not to unduly constrain decision-making of each company.

(3) Significance of having listed subsidiaries

The Company believes 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 its 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, the Company believes that it is preferable that these listed companies continue to be publicly listed.

The significance of having listed subsidiaries is as stated below.

■ 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, the Company believes 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.

■ 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, the Company believes 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 ∞). In order to maintain the Z Holdings Group's competitiveness in the increasingly competitive marketing solution business field, the Company believes 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 serves as a director of its parent company, there are no directors invited from the parent company who concurrently serve as directors or employees of the parent company.

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, the Company endeavors 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.

Please note that the independence of the Company's Board of Directors is secured through the appointment of four independent outside directors out of 10 directors, and the Governance Committee, consisting of four such independent outside directors, is established as an advisory body to the Board of Directors. The Governance

Committee 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 of Business, and Oversight in Management

1. Organizational Composition and Operation

Corporate Governance System	Company with an Audit and Supervisory Committee
-----------------------------	---

Directors

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

Outside Directors' Relationship with the Company (1)

Name	Attributes	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".

(Use "○" 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; and "▲" when a close relative of the director fell under the category in the past.)

- Person who executes business of the Company or a subsidiary
- Person who executes business or a non-executive director of a parent company
- Person who executes business of a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for such person/entity
- Major client of the Company or a person who executes business for such client
- Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets in addition to director/Audit and Supervisory Board Member compensation from the Company
- Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation)

- h. Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to self only)
- i. Person who executes business for another company holding cross-directorships/cross-auditorships with the Company (applies to self only)
- j. Person who executes business for an entity receiving contributions from the Company (applies to self only)
- k. Other

Outside Directors' Relationship with the Company (2)

Name	Membership of Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Applicable Relationship	Reasons for 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 three 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</p>

				<p>serving on the Audit and Supervisory Committee for these reasons.</p>
<p>Maiko Hasumi</p>	○	○	-	<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. She has served as an outside director (independent director) on the Audit and Supervisory Committee of the Company since March 2021 and has provided useful advice and supervision concerning the Company's management in the Board of Directors meetings, etc., from an investor's perspective. The Company has therefore renominated her as an outside director candidate serving on the Audit and Supervisory Committee.</p>
<p>Tadashi Kunihiro</p>	○	○	-	<p>As a lawyer, Tadashi Kunihiro has a broad range of insight in corporate crisis management and compliance systems. Based on his expertise, he has a track record of providing appropriate and valuable advice/recommendations at various board of directors meetings, etc., as an outside director and outside corporate auditor for many listed companies, including the Company. In his capacity as Chairperson of the Governance Committee of the Company, he has established a</p>

				strong governance structure for the Company. In light of this record, the Company judges him suitable to continue performing duties as an outside director and has renominated him as an outside director candidate serving on the Audit and Supervisory Committee.
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. In light of his track record of providing appropriate and valuable advice/recommendations from a practical viewpoint in the Company's Board of Directors Meetings, cultivated through his corporate management experience, the Company has renominated him as an outside director candidate serving on the Audit and Supervisory Committee.

Supervisory Committee

Composition of Supervisory Committee and Attributes of the Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Committee Chair
Supervisory Committee	4	1	0	4	Outside Director

Appointment of Directors and/or Staff to Support the **Appointed**

Supervisory Committee

Matters Concerning Independence of Said Directors and/or Employees from Executive Officers

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 wishes 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.

Status of Coordination between Supervisory Committee, Accounting Auditor, and Internal Audit Department

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 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 Established Committee(s)

Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee

Established

Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chair (Chairperson)

	Committee's Name	All Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	Nominating and Remuneration Committee	6	3	2	4	0	0	Outside Director

Voluntarily Established Committee Equivalent to Remuneration Committee	Nominating and Remuneration Committee	6	3	2	4	0	0	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 and proposing to the Board of Directors, 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, independent outside director serving as a full-time the Audit and Supervisory Committee member. The other members are: Rehito Hatoyama, Maiko Hasumi, and Tadashi Kunihiro, who are independent outside directors serving on the Audit and Supervisory Committee; Kentaro Kawabe, President and Representative Director, Co-CEO; and Takeshi Idezawa, Representative Director, Co-CEO. In addition, decisions are made by a majority of all Committee members, ensuring independence in the decision-making process.

More specifically, 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 consider establishing and implementing the succession plan of the representative director and other matters. 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. With respect to stock-based remuneration, proposals, etc., are made to the Board of Directors, based on the Committee's resolutions.

Matters Concerning Independent Directors

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

Other Matters Concerning Independent Directors

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

Incentives

Implementation Status of Measures related to Incentives Granted to Directors	Introduction of Performance-linked Remuneration Scheme / Introduction of Stock Options Scheme
--	---

Supplementary Explanation for Applicable Items

Cash bonuses: Incentives to contribute to short-term performance and enhancement of corporate value

Stock-based remuneration (stock options): Incentive to contribute to the enhancement of shareholder value and corporate value over the medium- to long-term

Stock-based remuneration (RSU plan): Alignment with shareholders and retention of talented management personnel

Persons Eligible for Stock Options

Inside Directors

Supplementary Explanation for Applicable Items

Intended to share the benefits and risks of stock price fluctuations with shareholders and to motivate the Executive Directors etc. more than ever to contribute to raising the stock price and increasing corporate value

Director Remuneration

Status of Disclosure of Individual Directors' Remuneration

Disclosure for Selected Directors

Supplementary Explanation for Applicable Items

The executive remunerations for fiscal year 2021 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)

Type of director	Total amount of remunerations, etc. (JPY million)	Total amount of remunerations, etc. by type (JPY million)				No. of directors
		Monetary remuneration			Non-monetary remuneration	
		Base remuneration	Bonus (Performance-based)	Bonus (Non-performance-based)	Restricted stock remuneration (Performance-based)	
Directors (excl. Audit and Supervisory Committee members) (Outside directors in parenthesis)	874 (-)	315 (-)	224 (-)	201 (-)	133 (-)	6 (-)
Directors serving on the Audit and Supervisory Committee (Outside directors in parenthesis)	95 (95)	95 (95)	- (-)	- (-)	- (-)	4 (4)
Total	969 (95)	410 (95)	224 (-)	201 (-)	133 (-)	10 (4)

(Note)

1. The amount of restricted stock 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 noted above in this fiscal year.

3. Bonus (non-performance based) includes special bonus.

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

Name	Total amount of remunerations, etc. (JPY million)	Type of director	Name of company	Total amount of remuneration, etc., by type (JPY million)					
				Monetary remuneration				Non-monetary remuneration	
				Base remuneration	Bonus (Performance-based)	Bonus (Non-performance-based)	Provision for retirement bonuses	Restricted stock remuneration (Performance-based)	Stock Option (Non-Performance-Based)
Kentaro Kawabe	380	Director	ZHD	85	98	110	—	87	—
Takeshi Idezawa	64	Director	ZHD	42	—	22	—	—	—
	853	Director	LINE Corporation	42	—	6	—	—	804
Jungho Shin	82	Director	ZHD	51	—	30	—	—	—
	4,146	Director	LINE Corporation	24	—	14	—	—	4,107
	107	Director	LINE Plus Corporation	30	—	20	56	—	—
Takao Ozawa	185	Director	ZHD	60	70	10	—	45	—
Jun Masuda	54	Director	ZHD	35	—	18	—	—	—
	669	Director	LINE Corporation	35	—	4	—	—	629
Taku Oketani	107	Director	ZHD	41	56	10	—	—	—

(Note)

1. Only those whose sum of consolidated remuneration, etc. is JPY100 million or over are noted here.)
2. For director Takao Ozawa, in accordance with agreements with certain subsidiaries signed in previous years, 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 the Calculation Methods Thereof

Established

Disclosure of Policy on Determining Remuneration Amounts and the Calculation Methods Thereof

The Company has positioned executive remuneration as one of the key management strategies to encourage

the management team to exercise their leadership. In the Board of Directors meeting held on May 17, 2022, the Company has made significant review to its executive remuneration plan to encourage bold risk-taking by the management team through executive remuneration and to enable the Company to achieve sustainable growth. As a result of the review, a new "Policy for Determining the New Remuneration, Etc., for Individual Directors" has been established subject to approval of each proposal for the revision of executive remuneration at the Company's 27th ordinary general meeting of shareholders held on June 17, 2022.

The review of the executive remuneration system, changes to the Regulations of Remunerations for Directors, etc., and the framework for the executive remuneration plan (the Remuneration Policy) have been deliberated by the Nominating and Remuneration Committee. For details, please refer to the following announcement.

<Establishment of a New Remuneration Policy and Revision of Executive Remuneration Plan>

https://www.z-holdings.co.jp/en/ir/news/auto_20220517549742/pdfFile.pdf

Support System for Outside Directors

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

2. Matters Concerning Functions of Business Execution, Auditing and 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 composition of the Board of Directors, chaired by the President and Representative Director, is as shown in the table below.

In order to ensure supervision and decision-making from objective and diverse points of view, four out of the 10 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), Marketing & Sales CPO: Takeshi Idezawa

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

Director, Senior Managing Corporate Officer, E-commerce CPO: Takao Ozawa

Director, Senior Managing Corporate Officer, Entertainment CPO: 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.

The Company's nomination criteria for outside directors are that they must be able to fulfill their social responsibilities in accordance with the Company's Charter of Corporate Behavior, and that they must have sufficient social credibility. In addition, 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 with a high level of expertise in governance and other areas. 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 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 and proposing to the Board of Directors, 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: Rehito Hatoyama, Maiko Hasumi, and Tadashi Kunihiro, who are independent outside directors serving on the Audit and Supervisory Committee; Kentaro Kawabe, President and Representative Director, Co-CEO; and Takeshi Idezawa, Representative Director, Co-CEO. In addition, decisions are made by a majority of all Committee members, ensuring independence in the decision-making process.

More specifically, 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 consider establishing and implementing the succession plan of the representative director and other matters. 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. With respect to stock-based remuneration, proposals, etc., are made to the Board of Directors, based on the Committee's resolutions.

(4) Governance Committee

The Company establishes a Governance Committee, composed of four independent outside directors, Tadashi Kunihiro, Yoshio Usumi, Maiko Hasumi, and Rehito Hatoyama and is chaired by Tadashi Kunihiro.

For transactions that involve parent companies, etc., the Governance Committee deliberates from the perspective of fairness, economic rationality, and legality, prior to the submission of proposals to the Board of Directors. In addition, for matters that are not subject to be proposed to the Board of Directors, in principle, the Governance Committee conducts a preliminary review based on the same perspective. Furthermore, by discussing important matters related to corporate governance, the supervisory function of the Board of Directors is strengthened 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 Shareholder Meetings and Facilitate Exercise of Voting Rights

	Supplementary Explanation
Scheduling of the General Shareholders Meeting During Non-Peak Days	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.
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 a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	For increased convenience for institutional investors, the Company participates in Electronic Voting Platform for institutional investors.
Provision of Notice (or Summary of Notice) of the General Shareholders Meeting 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	The Company holds the General Meeting of the Shareholders via the Internet in order to hold constructive dialogues with shareholders and investors, as well as for shareholders who are unable to attend the General Meeting of the Shareholders on the day of the meeting or those who live far from the Company. The General Meeting of the Shareholders is also broadcast live on the Internet and archived videos are available at a later date not only for shareholders, but also for all investors, whether individual or institutional, who are considering investing in the Company, so that they can watch the meeting without having to log in.

2. Status of IR-related Activities

Supplementary Explanation	Explanation by a representative director or a
---------------------------	---

		representative executive officer
Regular Investor Briefings held 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 on the day, the presentations are streamed live and archived as video files for viewing on a later date.	Held
Regular Investor Briefings held 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.	Held
Regular Investor Briefings held for Overseas Investors	"Overseas roadshows" are held, primarily in North America, Europe and Asia, in which the Company gains the opportunities to directly engage in dialogue with its foreign investors. In recent years, due to restrictions on overseas travel following the increase in the COVID-19 infections, it has been difficult to visit overseas investors through the "Overseas Roadshows." Therefore, the Company also provides opportunities for ongoing dialogue with a wide variety of foreign investors through	Held

	videoconferencing.	
Online Disclosure of IR Information	Since immediately after its initial public offering in 1997, the Company has published quarterly financial reports to ensure timely disclosure and provide detailed overview of its financial and business operations. In addition, along with these quarterly reports, the Company provides 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 Placement of a 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. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	Z Holdings Corporation stipulates a clear code of conduct within its “Charter of Corporate Behavior”. The Company hopes to respect the positions of its stakeholders, fulfill its corporate responsibilities to society, and improve corporate value.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	<p>The Company is committed to disclosing sustainability 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. The Company has established the ESG Management Committee, which is owned by the Group CFO, and promotes ESG measures and the four UPDATES in cooperation with each Group company. For fiscal 2022, the Company plans to strengthen the system including its collaboration with the Board of Directors.</p> <p>In addition, the Company strives to accurately understand the external environment surrounding the Group, identify the</p>

materiality issues based on an analysis of the risks and opportunities that arise, and build a governance system to address each issue.

■ Basic Policy (Materiality)

<https://www.z-holdings.co.jp/en/sustainability/stakeholder/01/>

■ Respect of Human Rights

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

■ Caring for the health of the workforce and working environment

<https://www.z-holdings.co.jp/en/sustainability/stakeholder/09/>

■ Fair and appropriate treatment

<https://www.z-holdings.co.jp/en/sustainability/stakeholder/09/>

■ Fair and reasonable transactions with suppliers

<https://www.z-holdings.co.jp/en/sustainability/stakeholder/17/>

■ Crisis management for natural disasters

<https://www.z-holdings.co.jp/en/sustainability/stakeholder/05/>

As of December 2021, the Company received the highest rating of AAA in the MSCI ESG Rating for the first time. For the second year in a row since 2020, the Company was selected as a component of the Dow Jones Sustainability World Index, one of the most prestigious global indices of ESG investment.

The Company has also been selected as a constituent of all five indices adopted by Japan's Government Pension Investment Fund (GPIF), one of the world's largest pension funds, namely, FTSE Blossom Japan Index, FTSE Blossom Japan Sector Relative Index, MSCI Japan ESG Select Leaders Index, MSCI Japan Empowering Women Index (WIN), and S&P/JPX Carbon Efficient Index.

Addressing climate change

While information technology is making the world richer and more convenient, it is also placing an environmental burden in the form of CO2 emissions from energy consumption, particularly electricity, and this burden is increasing with the expansion of the industry as a whole. As a measure to address climate change, the

Z Holdings Group declared its support for TCFD*1 in June 2020, and officially joined the supporters. Referring to the TCFD recommendations, the Group conducts scenario analysis, summarizes risks and opportunities, and promotes measures to address climate change as a Group.

<Governance>

The Z Holdings Group has established the ESG Management Committee, owned by the Group CFO, to fulfill its social responsibilities and to aim to achieve sustainable social and environmental development. Climate change-related issues are also addressed through this framework in cooperation with each Group company (divisions in charge of CSR, corporate administration and business promotion). The Group CFO is fully committed to environmental issues, meets regularly with the Co-CEOs, and makes recommendations to the Top Management Committee and the Board of Directors, etc., as necessary.

<Strategies>

As a Group in the IT industry, more than 90%*2 of the Z Holdings Group's CO2 emissions come from energy consumption through the use of electricity. To reduce CO2 emissions, the Group is constantly investing in state-of-the-art facilities at its data centers to maintain high power efficiency and reduce the growth of power consumption, and is gradually switching to power from renewable energy sources that do not emit CO2 in its power contracts.

<Risk management>

In line with the TCFD format, a scenario analysis on risks and opportunities is conducted and the results released in the Company's sustainability website*3. The results of the analysis are reflected in the Company's business strategy through the division in charge of risk management and each business unit (company) as measures for risk management and creation of the Z Holdings Group's new business opportunities.

<Indices and goals>

In February 2022, the Z Holdings Group announced its "2030

	<p>Carbon Neutrality Declaration,” whereby it commits to reduce greenhouse gas emissions (“GHG emissions”) from the business activities of the entire Group to net-zero by FY2030. To achieve the goal by FY2030, first, more than 80% of the electricity used will be generated from renewable energy sources by around FY2025, and then the remaining electricity will be converted to 100% renewable energy sources over the following five years. Furthermore, in order to absorb the GHG emissions of other Group companies that are aiming to convert to 100% renewable energy in the 2030s, Yahoo Japan Corporation is now leading carbon negative*4 efforts to enable the entire Group to achieve carbon neutrality by FY2030. Moreover, the Z Holdings Group cooperates with the companies operating businesses together to reduce the indirect GHG emissions*5 of collaborating companies.</p> <p>*1 TCFD (Task Force on Climate-related Financial Disclosures) is 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 GHG emissions subject to the GHG Protocol Scopes 1 and 2. (Results for 2020)</p> <p>*3 https://www.z-holdings.co.jp/en/sustainability/stakeholder/21/</p> <p>*4 GHG emissions subject to the GHG Protocol Scopes 1 and 2.</p> <p>*5 GHG emissions subject to the GHG Protocol Scope 3.</p>
<p>Formulation of Policies, etc. on Provision of Information to Stakeholders</p>	<p>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.</p>
<p>Other</p>	<p>The Company believes that maintaining good physical and mental health of those working in the Z Holdings Group is directly linked to their optimal work performance, and that this leads to the happiness of its employees and their families. Guided by these beliefs, President and Representative Director, Co-CEO, Kentaro Kawabe proclaimed the Good Condition Declaration, and</p>

announced that amidst COVID-19, “the health, safety and security of the employees are the top priority” to all the employees of the Group.

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 support the employees’ autonomous wellness management and to promote health and productivity management. In March 2022, for the fourth consecutive year, Z Holdings Corporation was chosen as a brand of the “2022 Health & 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 2022 by Nippon Kenko Kaigi. Going forward, the Company aims to continue to be a company where employees can approach their work both physically and mentally in optimal condition.

*“Health and productivity management” is the registered trademark of Nonprofit Organization KenkoKeiei.

IV. Matters Concerning the Internal Control System

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

<Systems to ensure proper business conduct>

The Company's Board of Directors has adopted resolutions regarding the "Systems for Ensuring Proper Business Activities" as stipulated in the Companies Act and the Regulations for Enforcement of the Companies Act, and Z Holdings Corporation strives to appropriately implement the system.

1. 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) The Charter of Corporate Behavior and the Code of Conduct for the Z Holdings Group (comprised of Z Holdings Corporation and its consolidated subsidiaries and affiliates) 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 in charge of 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 in charge of compliance issues 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 (compliance hotline) shall be established, and a system shall be in place for the division in charge of compliance issues, the Co-Chief Executive Officers (Co-CEOs), 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 issues 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 issues, division in charge of internal audit, and the Audit and Supervisory Committee shall collaborate on a regular basis, and the legal division shall carry out seminars and other internal awareness activities designed for directors and all employees.

(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 corporate officer in charge of 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.

■ Operational status

(1) The Charter of Corporate Behavior and the Z Holdings Group Code of Conduct were notified to all employees by constantly posting them on the intranet, that is accessible by all employees. In addition, explanatory materials explaining the establishment of the Code of Conduct in detail have been prepared and disseminated internally along with video materials containing messages from the top management.

(2) The division in charge of compliance issues organizes the compliance structure across the Company, and endeavors to grasp issues in the Company and in the Group companies. In addition, the compliance status was reported to the Company's Compliance Committee and the Board of Directors.

(3) An accessible whistleblowing system is in place for employees by having multiple contact points to report to. The division in charge of compliance issues investigates matters reported, gives instructions on improvements as needed, and takes actions based on the decisions of the Committee of Reward and Punishment, etc. Of such matters, those pertaining to employees were reported to the Compliance Committee and the Board of Directors.

(4) The Company also constantly posted content on basic items such as harassment and internal rules on matters such as anti-corruption on the intranet, which is accessible to all employees. In addition, training was

provided for directors and corporate officers on topics such as harassment, insider trading, and the revision of the Whistleblower Protection Act.

(5) In accordance with the basic policy, the corporate officer in charge of the legal division reports to the Audit and Supervisory Committee on violations of laws, regulations, and the Articles of Incorporation by directors, and submits a report to the Board of Directors on specific measures to be taken.

(6) 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, for the purpose of implementing continuous internal education, educational materials on the prevention of transactions with antisocial forces are made available to employees at all times, and employees are made aware of this fact.

2. 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 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.

■ Operational status

(1) In accordance with the basic policy, documents related to important decision-making processes and records of business execution are stored with a storage period and location specified in internal regulations, etc., and are available for inspection by the board of directors at any time.

3. 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 its business in the internal regulations.

(2) Regulations for emergency disaster control shall be established to ensure business continuity during an outbreak of a large-scale disaster.

(3) In preparation for the emergence of risks and occurrence of incidents, the division in charge of incident management shall furnish a workflow 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 chief information security officer 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.

■ Operational status

(1) (2) 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, emergency disaster control measures are established, information security system is established and executed, and a team to educate employees has been newly established. In addition, these are notified to the employees through briefing meetings and trainings, etc., to enhance the employees' skills and abilities on risk management. The management, including the President, specify the Group's top risks and address the risks based on the results of risk assessment and management review as well as changes in internal and external circumstances.

(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 without fail.

(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) A new team has been established within the supervisory organization of information security to promote education on information security management, and to formulate and implement employee education programs and ensure thorough awareness.

(6) The Company receives a review by a third party Information Security Management System (ISMS), and revises the certification on this management system.

(7) In regards to the overseas handling of personal information of users in Japan of LINE Corporation, a consolidated subsidiary of the Company, the Company established the Special Advisory Committee on Global Data Governance in March 2021, a committee consisting of external experts to verify and evaluate the handling of data in the Z Holdings Group from security and governance perspectives. The Committee compiled the Final Report by the Special Advisory Committee on Global Data Governance in October 2021. In response to the recommendations received in this report, the Z Holdings Group will further promote measures to improve data governance for the entire Group.

In accordance with these initiatives, the Company announced its Basic Policy on Data Protection in May 2022. Based on this policy, the Company will establish a management system for data protection such as the introduction of a privacy framework defined by the U.S. National Institute of Standards and Technology (NIST), and will assign Data Protection Officers (DPOs) in major subsidiaries and affiliated companies that handle data entrusted from the users.

The Company has established the Risk Management Committee for the purpose of supervising the risk management of the entire Z Holdings Group. The Risk Management Committee holds working groups to examine and mitigate risks and select countermeasures for risks that pose a particular challenge across the Group, such as data governance. For more information on the Company's risk management activities, please refer to: <https://www.z-holdings.co.jp/en/sustainability/stakeholder/05/>

4. 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.

■ Operational status

- (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 accordance with the basic policy, the Company has established internal regulations that clarify the scope of duties, authority and responsibilities necessary for the execution of duties.
- (3) In order to conduct appropriate decision-making on important matters related to management, a Top Management Committee consisting of directors and corporate officers, etc., in charge of business is formed on a regular basis to examine the relevant issues from various perspectives.
- (4) The Company's strategy and vision are disseminated to all employees, including those at group companies, through employee conventions and other events.
- (5) The division in charge of internal audit conducts internal audit from a variety of perspectives, including data governance and subsidiary management systems, which are key considerations, and works to make improvements at applicable divisions.

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

- (1) System to ensure independence from parent companies, etc.
 - (i) The implementation of transactions with the parent company, etc., shall be determined after confirming the necessity of such transactions to the Company and the fairness of terms and conditions of such transactions.
- (2) 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 in advance in principle to Z Holdings Corporation on important matters.
- (3) 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 responsible in the Company for each subsidiary company shall be clarified in the internal regulations related to the management of affiliated companies and internal regulations related to financing and investment. 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 shall stipulate that the subsidiary company shall report incidents to the Company's division in charge of risk management, 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 in charge of risk management that received reports from the said subsidiary shall promptly share said reports with the related divisions within the Company.

(4) 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 division supervising finance in the Company regarding the raising and investment of funds by subsidiary companies.

(5) 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 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 compliance with laws and regulations and the appropriateness and efficiency of operations related to transactions conducted between affiliates and in the operations of each affiliates, Regulations for Appropriate Business Transactions and Practices by the Company, its Parent Company, Subsidiaries, and Affiliates shall be established.

(iii) Meetings to be attended by the compliance officers of the Group companies shall be established to ensure opportunities for exchanges of information, views, etc. among employees in charge of compliance in the Group.

(iv) Brainstorming sessions shall be conducted by persons in the division in charge of compliance issues 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 establish an internal control environment that is in alignment with the Company's internal control system.

(vi) Directors and employees of the Group shall also be able to directly report issues to an outside lawyer.

■ Operational status

(1) For transactions that involve parent companies, etc., that are subject to be proposed to the Board of Directors, the Governance Committee composed of four independent outside directors deliberates from the perspective of fairness, economic rationality, and legality, prior to the submission of proposals to the Board of Directors.

In addition, for matters that are not subject to be proposed to the Board of Directors, in principle, the Governance Committee conducts a preliminary review based on the same perspective.

(2) 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.

(3) The internal audit division directly or indirectly conducts audits of the parent company, confirms basic internal controls, and monitors the internal audit functions of each company for all consolidated subsidiaries, etc., to address the management of risk of loss at subsidiaries.

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.

A Group intranet is used as a forum to share information on information security among the subsidiary companies and affiliates. The level of information security across the whole Group is enhanced by introducing, in several subsidiary companies, antimalware systems similar to the one introduced in the Company and by sending persons in charge from the Company’s supervisory organization on information security to the subsidiaries.

(4) 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.

(5) Persons responsible in compliance of the subsidiaries and compliance officers convene in a Group CCO meeting once every year to exchange information. In addition, individual interviews are held with persons responsible in compliance of the subsidiaries and compliance officers as necessary to share and discuss issues at individual companies.

6. Employees who assist the duties of Audit and Supervisory Committee

(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.

(2) The Audit and Supervisory Committee members or the Audit and Supervisory Committee shall be able to independently hire employees to support the duties of the Audit and Supervisory Committee members if the Audit and Supervisory Committee wishes to do so.

7. Independence of the employees mentioned in the previous paragraph from the other directors (excluding those who are members of the Audit and Supervisor Committee)

(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.

8. Ensuring the effectiveness of instructions given by the Audit and Supervisory Committee to the employees prescribed in Paragraph 6

(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.

■ Operational status for 6. 7. and 8.

In order to ensure that the audit by the Audit and Supervisory Committee is efficiently conducted, an Audit and Supervisory Committee Office (three members) is established to assist audit duties. Personnel matters of the Audit and Supervisory Committee Office are subject to the consent of the Audit and Supervisory Committee, paying due consideration to the independence of the Office.

9 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 establishment 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 internal whistleblowing, 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.

■ Operational status

(1) The Company reports regularly to the Audit and Supervisory Committee and the Audit and Supervisory Committee members on important matters concerning the Z Holdings Group, etc. In addition, the Company reports without delay on important matters from the viewpoint of auditing, etc. (Immediately on urgent matters such as facts that may cause significant damage to the Company.)

(2) 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.

10. 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.

■ Operational status

(1) An internal regulation stipulates that necessary information must be provided upon request from the 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.

11. 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 the 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).

■ Operational status

(1) (2) 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.

12. 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.

■ Operational status

(1)(2) The Audit and Supervisory Committee members are allowed to attend management meetings where important decision-making takes place and any other meetings the members wish to attend. Full-time Audit and Supervisory Committee members attend meetings that supervise the risk management of the Group and meetings that supervise the compliance of the Group, and receives reports directly from the divisions in charge.

(3) The Company ensures the effectiveness of audits within the Group by establishing regular meetings with the CEOs, auditors, and internal audit divisions of important subsidiaries and maintaining ongoing collaborations.

2. Basic Views on Measures for Eliminating Anti-Social Forces and Status of Development

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 the Company's "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, the Company also cooperates 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 is engaged in collecting information about anti-social forces and the proper way to handle unreasonable demands, thereby

strengthening its system for dealing with such scenarios.

V. Other

1. Adoption of Anti-Takeover Measures

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

Supplementary Explanation for Applicable Items

The Company considers the risk of a hostile takeover to be low at this time due to its shareholder composition and has not taken any specific anti-takeover measures, but will consider effective countermeasures against hostile takeovers and their necessity as appropriate.

2. Other Matters Concerning the 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, Inc., the Financial Instruments and Exchange Law and other relevant laws and statutes as well as its own “disclosure policy”, which summarizes the Company’s stance on the disclosure of information. According to this policy, the Company strives to provide accurate and impartial release of company information once it has been thoroughly investigated and managed. In addition, from immediately after its initial public offering in 1997, the Company has published a quarterly financial report to ensure timely disclosure and provide a detailed overview of its 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. The Company will also continue to consider the further enhancement of disclosures in English.

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

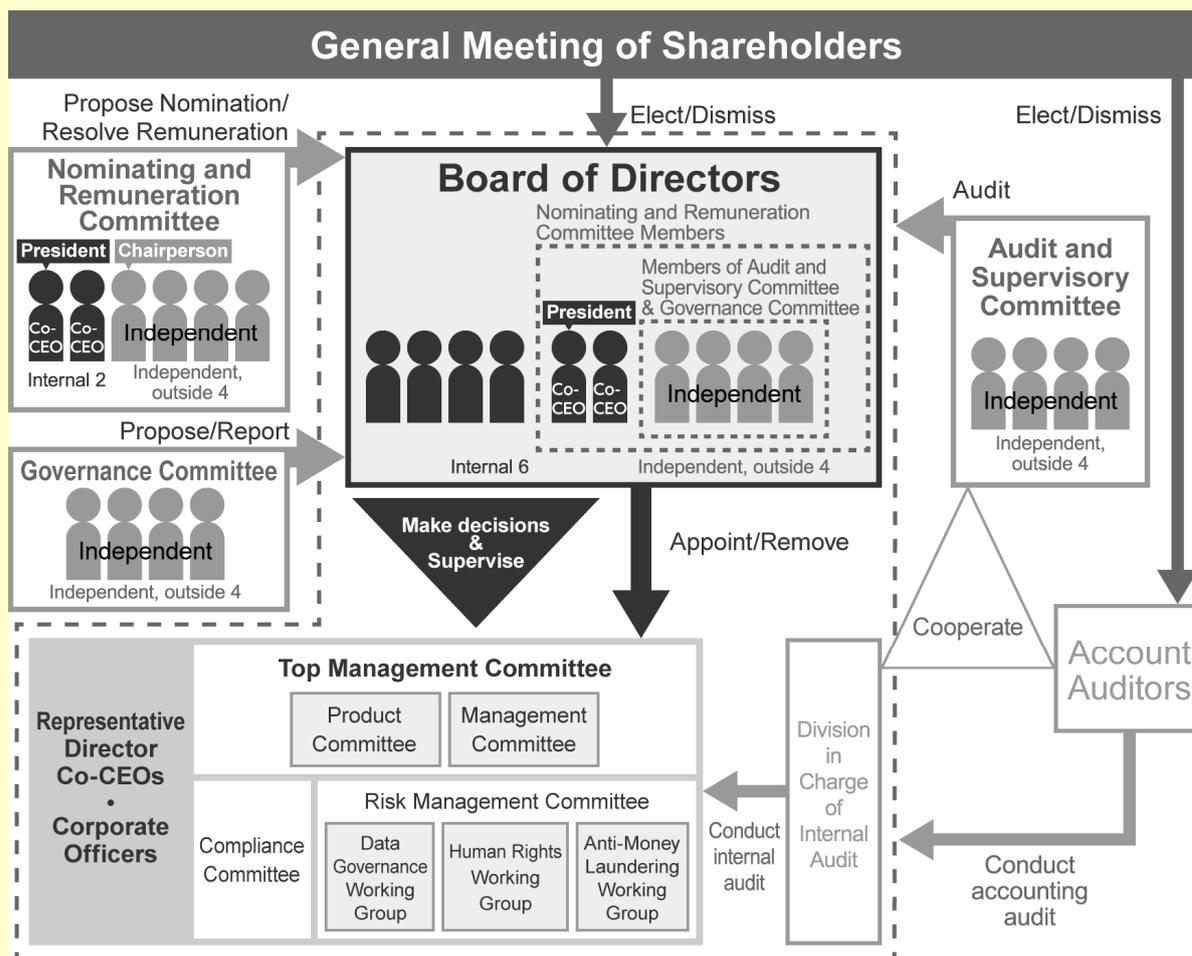
Every internal department is to consult with the Legal Management Division, Finance Management Division, and PR & IR Division regarding relevant information in advance. The Legal Management Division and Finance Management Division will judge each case from a legal standpoint in light of laws such as 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.

END