

Z Holdings Corporation 26th Ordinary General Meeting of the Shareholders Questions Received from Shareholders

July 1, 2021
Z Holdings Corporation

Thank you for attending the 26th Ordinary General Meeting of the Shareholders of Z Holdings Corporation.

We have consolidated our answers to all the questions we received from our shareholders for this meeting as follows. (This includes questions that were answered during the meeting and questions that were answered before the meeting.)

Questions received from shareholders via the Internet are presented in their original wording, while questions received from shareholders during the meeting and our answers are summarized. (Please refer to the distributed video for details) Also, similar questions received from multiple shareholders are answered together.

Please note that we may revise the original text of the question or refrain from answering if we judge that the content of the question may infringe the privacy of an individual or the rights and interests of persons other than the person asking the question.

I Questions received via the Internet

No.	Question	Answer
1	Regarding the payment of dividends for the fiscal year ended March 31, 2021, the total dividend amount was approximately the same as the previous fiscal year, which does not take into consideration the disadvantages suffered by the shareholders of Z Holdings Corporation who have been shareholders since before the business integration with LINE Corporation. What are your views on the payment of dividends for the next fiscal year onwards?	While securing funds for investment for medium- to long-term growth and enhancement of corporate value, the total dividend amount for the year-end dividend payment was approximately 42.2 billion yen, the same amount as the previous fiscal year. However, due to the increase in the total number of issued shares as a result of the business integration, dividend per share was 5.56 yen. We believe that the best way to return profits to our shareholders is to invest for our future growth, improve our business performance, and increase our share price. As we regard that returning profits to our shareholders is an equally important responsibility, we will continue to consider dividend payment as one of the ways to return profits to our shareholders.
2	Now that LINE is a part of the ZHD Group, I would like to actively use the service, but I want to be reassured.	The roadmap for transferring LINE's data into Japan is disclosed in the special page of LINE Corporation. (https://linecorp.com/ja/data_transfer/ Japanese only)

No.	Question	Answer
	Please explain again the data transfer plan and the Group's information management measures.	<ul style="list-style-type: none"> • Transfer of images, videos, and file data sent via chat is scheduled to be completed by the end of June 2021. • Transfer of text data within the LINE Official Account data in Timeline is scheduled to be completed in December 2022 (Changed from the initial plan announced in March). • Transfer of image data in Album, including existing data, into Japan is scheduled to be completed by the first half of 2024. • Transfer of images, videos, and file data in Keep, including existing data, into Japan is scheduled to be completed by June 2022. <p>Schedules for other data transfers into Japan is also planned to be updated on the abovementioned special page. Please check this page from time to time to be reassured in using the service.</p>
3	There are many overlapping businesses with LINE in the area of financial business. Please explain how ZHD plans to streamline and integrate this area. In particular, isn't it too unreasonable to have two banks in one corporate group?	<p>It is true that there are overlapping services within the group since extremely large services, Yahoo! JAPAN and LINE, have integrated.</p> <p>We will continue to offer services that have synergies within the group as is, and upon discussions, integrate services that do not generate synergy.</p> <p>Moving forward, we would like to provide the right services at the right time after having discussions at the Product Committee.</p>
4	The start of the new ZHD has stalled because of the incident with LINE. I am not opposed to the proposal, but I would like to hear the reasons for Mr. Idezawa's nomination, and Mr. Idezawa's statement of determination on assuming office.	<p>(Statement from Kawabe, President and Representative Director, Co-CEO)</p> <p>Mr. Idezawa has achieved the successful rehabilitation of the management of the former livedoor Co., Ltd., and has demonstrated strong organizational control and leadership in supervising the overall management of the LINE Group. He has also greatly contributed to the realization of the integration between ZHD and LINE.</p> <p>In light of the recent administrative guidance received, we have determined that his reappointment is appropriate in order for him to renew his commitment to continuously strengthen the governance structure of the entire group, including LINE, a social infrastructure, and to fulfill such social responsibility, as well as to lead the group in rapidly creating synergies.</p>
5	Regarding the election of directors, the appointment of an individual who was an officer of LINE Corporation who lacks the ability to properly execute business is	<p>(Statement from Idezawa, Representative Director, Co-CEO)</p> <p>I would like to express my determination as Co-CEO of ZHD.</p>

No.	Question	Answer
	inappropriate and should be excluded from the list of candidates. What is your view on this?	<p>I sincerely apologize for causing concern to our shareholders on this matter. We will place the highest priority on strengthening our governance, especially data governance, and strive to regain the trust of our shareholders.</p> <p>Furthermore, to make this large-scale business integration a success, I will take the lead in projects that will create synergies at an early stage and in creating a corporate culture that is unique to the new ZHD.</p> <p>I firmly believe that the potential of the new ZHD is enormous. Together with Mr. Kawabe, I would like to vigorously promote our ambition to empower “Asia and the world from Japan,” which is a huge goal for the company.</p>
6	One of the ways to boost the share price is to make people listen to and cheer for you. Some of LINE’s incompetence has been discovered by the investigative committee, but you should explain more widely and frequently in corporate announcements and press conferences for the betterment of the corporate group. It is important especially when the news is perceived badly. Please explain your thoughts and future plans.	<p>As pointed out by the shareholder, we regard that it is our mission and responsibility that the more unfavorable an incident, the more we should disclose information and take sincere actions.</p> <p>Including the case with LINE’s information management, we would like to organize information, thoroughly carry out public relations activities and to become a company that can be widely engaged in open dialogues.</p>
7	There is a proposal on holding fully online general shareholders meetings. Please explain the benefits of this.	<p>With the use of the Internet, shareholders who live afar or who are unable to leave their homes will be able to attend the meetings.</p> <p>This will also allow us to take questions from many people. Moreover, since a physical venue will no longer be needed, we will be able to significantly reduce the cost of holding the meetings.</p>
8	The performance of the commerce business appears to be strong, but this could be due to COVID-19 favorably impacting the business particularly in 2020. Will the lifting of restrictions on going out due to vaccines, etc. have an impact on the business performance? If so, to what extent?	<p>In fiscal 2020, our ecommerce business unexpectedly performed well followed by the stay at home movement due to the spread of COVID-19. As pointed out by the shareholder, we are approaching the beginning of a recovery from the pandemic, and we believe that there will be challenges in business growth especially in the first quarter (April to June) of fiscal 2021.</p> <p>By improving the essential quality of our ecommerce such as logistics and ease of search, as well as conducting promotions, we hope to achieve a full-year growth in ecommerce that exceeds that of the previous year.</p>

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9	If it becomes difficult to hold a fully online shareholders meeting due to a power outage or other reasons immediately before the meeting is to be held, will the meeting be called again, etc. and held on another day?	If Proposal 1 is approved, we are thinking of holding a fully online general shareholders meeting for next fiscal year. As pointed out, measures against a complete power outage or for shareholders with slow Internet connections will be carefully considered over the next year, so
10	A fully online shareholders meeting may exclude users with slow Internet connections or those with limited data volume available. From the perspective of providing equal opportunities for shareholders to participate, I believe that the current form of enabling both online and physical attendance is the most appropriate. Please let us know your views on this.	that we can avoid causing inconveniences to all our shareholders. Furthermore, since we are a company that utilizes information technology in creating the future, we will continue to provide creative solutions ahead of our competitors, and hope to hold a general shareholders meeting next year that will become the standard for general shareholders meetings held fully online.
11	If the general shareholders meeting is held only online (fully online), will you be able to provide real-life experiences with AR using digital technology from next time?	
12	What are the countermeasures for network failures during a virtual-only general shareholders meeting?	
13	I think you are working very hard and doing useful and good things, but please tell me your thoughts on why your share price is not going up.	First of all, we are honored to be praised by our shareholders that we are working very hard. We recognize that the gap between the expectations toward the business
14	The financial results announced on April 28 were not bad in terms of numbers, but the share price dropped, probably due to the lack of disclosure of information other than the earnings forecast for the fiscal year ending March 2022. Even before that, the share price had steadily fallen due to the inadequate handling of personal information and revisions to explanations provided. Will there be a significant jump in share price in the future? Can't you disclose information a little more accurately? Please explain your thoughts in detail.	integration and the reality of the timing of synergies to be created has impacted our share price. To address this issue, we would like to quickly create synergies from the business integration and proactively disclose information moving on.

No.	Question	Answer
15	Regarding the overseas strategy, do you have any specific target, such as the proportion of income generated from overseas business?	Overseas business is an area we would like to strengthen. Since we are currently in the stage of investing in the regions where LINE is deployed, we do not have any specific target for income. However, once the investment phase is over and our focus shifts from increasing revenue to expanding income, we will work with income targets.
16	I use both yafoo! and PayPay. Could you please create a shareholder benefit program?	Thank you for using our services. We regard that a shareholder benefit program is an effective way for returning profits to our shareholders. We have considered various options in the past, but have not been able to introduce any. We will continue to consider the best measures for our shareholders.
17	Are there any plans to increase the dividends?	We would like to comprehensively consider the total amount of dividends while securing funds for investment for medium- and long-term growth and enhancement of corporate value. As of now, we believe that investing in our future growth, improving our business performance, and boosting our share price is the best way to return profits to our shareholders. However, we also believe that returning profits to our shareholders is our important responsibility, therefore we will consider dividends as a way to do so.
18	How are the duties of Director Kawabe and Director Idezawa divided? If there is a clear division of duties or roles, please let us know.	Our company currently adopts a Co-CEO (Co-Chief Executive Officer) system. The primary duty of the Co-CEOs is to create business synergies between Yahoo Japan and LINE in order to maximize our corporate value, and the Co-CEOs are working together to achieve this. The final decision for the company is made by Mr. Kawabe, the President and Representative Director.
19	It was mentioned earlier that synergies with LINE may be difficult to see, but I think there are hopes in this area instead. Meanwhile, it is hard to see what you are planning to do with ZOZO. Please tell us more about your vision.	We are aiming to become No.1 in the field of ecommerce in Japan in the early 2020s. To achieve this, we will focus on three initiatives: firstly, strengthen our existing ecommerce business; secondly, create synergies with LINE Corporation; and thirdly, ZOZO.

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		<p>ZOZO's market share in fashion is growing rapidly, and it has also started expanding its business horizontally into cosmetics and shoes.</p> <p>By adding these three initiatives together, we hope to become No.1 in Japan in terms of transaction value for EC merchandise in the early 2020s.</p>
20	<p>What specific services can we expect to see as the greatest synergies between Yahoo Japan and LINE that will make our lives more convenient and enriched?</p>	<p>(Statement from Kawabe, President and Representative Director, Co-CEO)</p> <p>We believe that our ecommerce services will become the most convenient service in Japan once we link them with LINE's services and functions.</p> <p>We hope to develop our ecommerce services to be more useful and fun, and to offer good deals, such as by linking LINE GIFT with Yahoo! JAPAN's ecommerce services and expanding its product lineup.</p> <p>(Statement from Idezawa, Representative Director, Co-CEO)</p> <p>I am also very excited about our ecommerce business.</p> <p>By using LINE Official Account in Yahoo! JAPAN and other group services, we will be able to increase our contact points with customers and business partners and deepen our ties, so please also look forward to this.</p>
21	<p>In order to fundamentally solve the personal information and data handling issue at LINE, is there any consideration made such as SoftBank acquiring NAVER's stake in ZHD, etc.?</p> <p>I think the fundamental problem and the reason for the misperception is that the service of LINE (formerly NHN Japan), a South Korean-owned company, is branded and widely used as a "Japan-made SNS."</p>	<p>Again, we deeply apologize for causing concerns to our shareholders regarding LINE's handling of personal information and data.</p> <p>As your question is related to our parent company, A Holdings Corporation, we are unable to provide you with a response on this matter.</p> <p>As for ZHD, we will manage and supervise LINE's efforts in improving the situation while sincerely listening to the opinions of our users and shareholders, and strive to regain trust as soon as possible so that our users can use our services without any worries.</p>
22	<p>Due to LINE's personal information leakage to China, a disaster drill organized by the local government, where both PC and LINE were planned to be simultaneously used online, was suddenly changed so that LINE will not be used. What are your thoughts on this?</p>	<p>Again, we deeply apologize for causing concerns to our shareholders regarding LINE's handling of personal information and data.</p> <p>LINE Corporation takes the guidance given to them this time very seriously and is currently working to make improvements.</p>

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		<p>As for ZHD, we also take this matter very seriously and will have deep discussions based on the suggestions and recommendations from the special advisory committee of experts to prevent such an incident from occurring again in the future. As the parent company, we will manage and supervise LINE's efforts in improving the situation.</p>
23	<p>Please explain the in-house payment ratio. What kind of indicator is it? Also, please explain the factors behind the increase in this ratio. When this ratio increases, how will it affect your business performance?</p>	<p>"In-house payment ratio" refers to the proportion of payments made using our Group's payment services, such as Yahoo! JAPAN Card, PayPay, PayPay Bonus, etc., out of the total payment amount in Yahoo! JAPAN Shopping and PayPay Mall. The in-house payment ratio reached 68.2%, a record high level, in FY2020-4Q (January to March).</p> <p>We believe that the reason for this increase is due to the improvement in our earnings, as well as the progress in our efforts in keeping users within the group's service ecosystem, with PayPay as an entry point.</p> <p>An increase in the in-house payment ratio will lead to the improvement of profitability as a certain volume of revenue outflow can be contained, thus will have a positive impact in terms of profitability.</p>
24	<p>I take the issue of LINE's information being accessible from China very seriously despite ZHD being a company that handles information. How do you plan to prevent this from happening again?</p>	<p>Again, we deeply apologize for causing concerns to our shareholders regarding LINE's handling of personal information and data.</p> <p>In March 2021, the media reported that personal information of LINE users was accessible by a company in China to which LINE outsources operations. LINE Corporation received guidance from the Personal Information Protection Commission on April 23, and also from the Ministry of Internal Affairs and Communications on April 26 on the handling of data. This guidance is taken very seriously, and we are currently working to make improvements.</p> <p>As for the progress of the improvement efforts, LINE has firstly blocked access to personal information of users in Japan from the bases in China. Although LINE had stated in its previous privacy policy that data may be transferred outside Japan to third parties and third countries, such as contractors in countries and regions other than where the users reside, individual details such as the name of the country</p>

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		<p>where relevant operations are based were not explained. In light of this, the privacy policy was revised to include these specific information, etc.</p> <p>Regarding images and videos that are stored outside of Japan, LINE is in the process of transferring them into Japan.</p> <p>Moving on, we will continue to sincerely listen to the voices of our users and shareholders, and strive to regain trust as soon as possible so that our users can use our services without any worries.</p> <p>As the parent company, we will manage and supervise LINE's efforts in improving the situation.</p>
25	<p>I am very concerned about the delay in dealing with confidentiality at LINE, your subsidiary, as it seems that the magnitude of LINE's social influence is not fully acknowledged.</p>	<p>Again, we deeply apologize for causing concerns to our shareholders regarding LINE's handling of personal information and data.</p> <p>LINE is widely used by many individuals, companies, and administrative agencies in JAPAN, and is also deployed globally. We are taking in the awareness and the graveness of responsibilities anew as an operator of a social infrastructure service. Also, we take the administrative guidance from the Personal Information Protection Commission and the Ministry of Internal Affairs and Communications seriously, and are promoting corrective measures, including the reinforcement of the data governance and security structures and the provision of easier-to-understand explanations to users.</p> <p>In March 2021, we set up a special advisory committee consisting of external experts to verify and evaluate the handling of data in LINE Corporation and the entire Z Holdings Group from security and governance perspectives. We received the primary report from the committee on June 11 and published the content. https://www.z-holdings.co.jp/en/pr/press-release/2021/0611</p> <p>We will heed recommendations of the special advisory committee and strive to further strengthen our efforts, including compliance with the world's top-level cybersecurity standards, so that our users will be able to use our services with peace of mind</p>

No.	Question	Answer
		<p>LINE's handling of personal information of users in Japan overseas is also summarized in the following page: https://linecorp.com/ja/pr/news/ja/2021/3680 (Japanese only) The page is updated as needed, and we would appreciate it if you make use of it as follow-up information.</p> <p>As the parent company, we will fulfill our responsibilities through appropriate management and supervision of LINE Corporation's efforts for improvement.</p>
26	<p>LINE's mismanagement in the protection of personal information has come under public scrutiny. I think that not only LINE but also ZHD as a whole should do everything in its power to clear this public doubt. Especially, some media reports have pointed out your special relationships with China and South Korea, and with the recent deteriorating public sentiment toward China and South Korea, you are now viewed with critical eyes. This, I think, makes it all the more important for you to dispel the image of dependence on China and South Korea.</p> <p>What concrete plans do you have for this problem?</p>	<p>First of all, we sincerely apologize for causing concerns among our shareholders on this matter, which has been reported in the news, etc. since March.</p> <p>After this incident, we established the Special Advisory Committee on Global Data Governance, a committee consisting of external experts to verify and evaluate the handling of data in the Z Holdings Group from security and governance perspectives, and received the primary report from the Committee on June 11. The report names "reverification of past access to Japanese user data by the employees of LINE's affiliate company (subcontractor) in China," "appropriateness of transfers to Japan to be made for images, videos, and files of users in Japan," and "explanations to the public sector" as issues to be addressed and matters to be verified in the future.</p>
27	<p>How are you going to restore the public trust in LINE in the future? How will you ensure the protection of users' privacy in the future? If you have any future privacy protection measures in mind, what specifically are these measures?</p>	<p>We regard that, as the first step, it is important for LINE Corporation to sincerely respond to the verification results and recommendations presented by the Special Advisory Committee and make efforts to regain the confidence of the society. As the parent company, we will keep a close eye on the progress and provide necessary support along the way.</p> <p>We will also strive to increase the transparency through timely disclosure of the development and future actions regarding this matter, so that our users can use our services with peace of mind.</p>
28	<p>With respect to the handling of personal information by LINE, 1) As it was found that information on users in Japan had been made accessible to employees of an affiliate</p>	<p>At the same time, we will work toward strengthened data governance across the Group.</p>

No.	Question	Answer
	<p>company in Shanghai, China between August 2018 and February 2021, how did the problem come to light?</p> <p>2) According to the June 11 report by the Special Advisory Committee, the access history and logs from which the access from China can be verified are retained for only the past one year, and that is as far back as the verification can be done. Are you going to do any deeper investigation? I would like to hear a convincing explanation.</p>	<p>We have long been adopting a rule of acquiring the user’s consent before linking data and have also been promoting data protection in compliance with international standards” and “security measures that meet the international cybersecurity standards established by the U.S. National Institute of Standards and Technology (NIST).”</p> <p>We will strive to build a stronger and optimum governance structure for the entire group.</p> <p>As for the handling of personal information and data, we officially received a report from LINE Corporation on March 2, 2021, followed by the primary report from the Special Advisory Committee on this matter on June 11, 2021. We expect that the Committee will further look into the matter and share the results in its final report.</p>
29	<p>There are a lot of spoofing, harassment, and bullying going on in the message board of Yahoo! JAPAN Finance. The harassers go unchecked now, but these abusive messages may prompt suicides someday, and this would extremely hurt the service image. Don’t you have any intention of correcting the situation?</p>	<p>Although this is not exactly a subject of the general shareholders meeting, it is a question about the Group’s service, and we will answer to the question as follows. Thank you for your loyal patronage of our service.</p> <p>Yahoo! JAPAN Finance runs 24/7 patrols on the message board to check for inappropriate comments.</p> <p>We will strictly respond to malicious act as before.</p>
30	<p>I use Yahoo! JAPAN Shopping, and the point reward rates seem fairly high. Isn’t it causing burden on the shop tenants?</p>	<p>Although this is not exactly a subject of the general shareholders meeting, it is a question about the Group’s service, and we will answer to the question as follows. Thank you for your loyal patronage of our service.</p> <p>We are unable to disclose details about the fund source of our point program, but we will work to make service improvements to enable safe and secure use of our service for all.</p>
31	<p>I get interruptions in the streaming occasionally. Are there problems on the distribution side of the streaming?</p>	<p>Depending on the telecommunication environment through which you participate in this meeting, there may be disturbances, such as interruptions and breaks in the video and voice streaming.</p> <p>There were no occurrences of technical problems in the streaming during the session of this general shareholders meeting.</p>

II Questions received from shareholders who attended the general shareholders meeting (Summarized; please refer to the distributed video for details)

No.	Question	Answer
1	About Yahoo! JAPAN Knowledge Search	<p>Although this is not exactly a subject of the general shareholders meeting, it is a question about the Group's service, and we will answer to the question as follows. We are sorry to hear that you felt uncomfortable by the Yahoo! JAPAN Knowledge Search service and its comments.</p> <p>We are continually working on improvements of the service, including removal of inappropriate comments by AI, and will keep making further improvements in the future.</p>
2	About PayPay Bank's business rollout plan for SMEs and related M&A	<p>We see a valid point in your saying that we should not only work on details but also strengthen our approaches to SMEs in light of digitalization.</p> <p>We would like to promote our sales activities through ZOZO and PayPay Bank.</p>
3	About asymmetry of evaluations in YAHUOKU!	<p>Although this is not exactly a subject of the general shareholders meeting, it is a question about the Group's service, and we will answer to the question as follows. YAHUOKU! is a place designed mainly for transactions between the seller and buyer, and therefore the basic rule is that the seller and buyer communicate with each other.</p> <p>We are glad to help you with specific questions that you may have, if you make inquiries from the Help page.</p>