

Corporate Governance Report

Last Update: November 1, 2019

Z Holdings Corporation

President and Representative Director: Kentaro Kawabe

Securities Code: 4689

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

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

1. Basic Views

Promises to our Users (Charter of Corporate Behavior)

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

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

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

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

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

[Principle 1-4: Cross-shareholdings]

• Policy on acquisition/possession and results of assessment

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

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

No. of brands held as cross-shareholding: 20

Total amount recorded in the balance sheet: JPY 17.8 billion

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

•Basis of exercising voting rights

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

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

In January 2019, the Company established a voluntary Nomination Committee comprised of several directors including independent outside directors, as an advisory body to the Board of Directors. Establishment and implementation of a succession plan for the President and Representative Director and CEO will be carried out in this Nomination Committee in the future, and the Board of Directors is expected to monitor its operations.

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

In light of the Company's situation, directors serving on the Audit and Supervisory Committee are elected based not only on their accounting experience but also on their broad management experience on financial accounting, law, etc. In respect to accounting, the Audit and Supervisory Committee members and the accounting auditors hold periodic meetings (as well as when necessary) to collaborate so that they can both audit appropriately.

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

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

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

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

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

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

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

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

(1) Fundamental Business Management Policies

The Z Holdings Group aspires to continue being a forerunner who can imagine the next future, and create new knowledge by leveraging information technologies. In view of the services, human resources, and financial base the Group has fostered since its foundation, we believe that the possibilities of realizing a "rich living environment" and seeing further "development of society" are infinite with the power of IT. The Z Holdings Group will pursue flexible and expeditious decision-making, optimum distribution of business resources, and speedier implementation of business strategies in order to achieve a continuous and dynamic growth in the rapidly evolving Internet industry, and to further improve our corporate value.

(2) Management Performance Indicators Used for Goals

As its core management performance indicators, the Z Holdings Group gives priority to the revenue, operating income and basic net income per share for the overall Group. In addition, the Group uses total advertising revenue, number of monthly logged-in user IDs, time spent by logged-in users, number of Yahoo! Premium membership IDs, e-commerce transaction value, and number of valid credit card holders, etc. as indicators for each service.

(3) Medium- to Long-Term Business Strategies

Amidst remarkable technological innovations, the social structure is becoming increasingly complex and its evolution speed increasingly fast. In such an environment, the possibilities of multi-big data is expanding even further.

The sequence of actions whereby users encounter information, investigate in detail, purchase services and products, and make payments, is called "user actions" in the Z Holdings Group. The Z Holdings Group provides more than 100 services in two different business fields: media and commerce. Even globally, we are a unique corporate group that provides a comprehensive set of services mainly in media, e-commerce and payment encompassing both the online and offline worlds. Not only will this characteristic business base of the Z Holdings Group serve as a base to provide high-quality and integrated user experience through collaborations between different services; it will also enable the provision of services that are optimized for each user by cross-using data acquired from each service.

Abundant data acquired from a wide array of services of the Z Holdings Group will act as an important competitive edge in creating services that can only be created by the Z Holdings Group. New user experiences will also be generated from these high quality services that match user

needs.

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

Please refer to [1. Basic Views] of [I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information] in this report.

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

The Remuneration Committee which consists of the President and Representative Director; non-executive directors who are not independent outside directors; and independent outside directors, based on the regulations determined by the Board of Directors, determines the amounts of the remunerations and bonus of the directors and officers, etc., after careful deliberation, based on the business performance in each quarter, the individual's contributions to the business performance, and other factors.

(Please note that the chairperson of this Remuneration Committee is served by an independent outside director and the majority of the committee members are constituted by independent outside directors.)

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

The suitable person for director candidate is nominated and the suitable person for senior management is elected 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 member of the senior management falls under the reasons for dismissal as prescribed in the internal regulations, the Board of Directors can resolve the dismissal of the senior management member in question. The Nomination Committee comprised of the President and Representative Director; non-executive directors who are not independent outside directors; and independent outside directors, 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 Nomination Committee pays heed to prevent membership from gravitating towards all members having similar characteristics, in order to preserve diversity within the Board of Directors.

(As with the Remuneration Committee, please note that the chairperson of this Nomination Committee is served by an independent outside director and the majority of the committee members are constituted by independent outside directors.)

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

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

- Since joining the Company in 2000, Kentaro Kawabe served with distinction for 18 years in important positions of the Company including manager of the Company's core services such as Yahoo! News and Chief Operating Officer (COO), contributing to the growth of the Company. The Company has elected him for appointment as a director candidate so that he can lead the growth of the Company even further.

- Since joining the Company in 2012, Takao Ozawa has grown the commerce business of the Yahoo Japan Group with strong leadership, such as in promoting the "e-commerce revolution". The Company has elected him for appointment as a director candidate so that he can lead the growth of the Company even further, based on his expertise in the Internet business and commerce fields as well as abundant experience in corporate management and broad knowledge of the creation of new businesses as an entrepreneur.

- Masayoshi Son has a great deal of experience and extensive knowledge as an executive manager.

The Company has elected him as a director candidate of the Company so that his suggestions and advice as a pioneer can be utilized for the management of the Group.

- Ken Miyauchi is the Chief Executive Officer of SoftBank Corp., which is closely involved in the business operations of the Company, and has a wealth of management experience in the mobile phone business. In order to receive his valuable advice about the business operations of the Group, the Company has elected him as a director candidate of the Company.

- Kazuhiko Fujihara is Board Director, Executive Vice President & CFO of SoftBank Corp., which is closely involved in the business operations of the Company. The Company has elected him as a director candidate to receive management consultation and valuable advice on finance and accounting as well as on business operation in general, based on his years of experience in the corporate planning and finance divisions at SoftBank Corp.

- Taku Oketani is Senior Vice President of SoftBank Corp., which is closely involved in the business operations of the Company, and has deep insight and broad knowledge in the commerce and marketing fields. Amid intensified competition in the commerce and payment service areas, the Company has elected him as a director candidate to obtain valuable advice on business operation so as to further strengthen business synergies with SoftBank Corp.

- Shingo Yoshii has a wealth of knowledge and experience in business management. He has a great deal of insight regarding corporate governance, and has served with distinction for seven years since his assumption of office as an outside auditor of the Company in June 2008 and four years as an outside director (independent director) and full time Audit and Supervisory Committee member since his assumption of office in June 2015. The Company has elected him as a director candidate serving on the Audit and Supervisory Committee because he has contributed to the strengthening of corporate governance and to the improvement of the corporate auditing system.

- Hiromi Onitsuka-Baur has a wealth of knowledge and experience in business management, and has served with distinction for three years since her assumption of office as an outside auditor of the Company in June 2012 and four years as an outside director (independent director) and full time Audit and Supervisory Committee member since her assumption of office in June 2015. The company has elected her as a director candidate of the Company serving on the Audit and Supervisory Committee because she has contributed to the strengthening of corporate governance and to the improvement of the corporate auditing system.

- Yoshio Usumi has many years of business execution experience and track record in corporate administration. The Company has elected him for director candidate serving on the Audit and Supervisory Committee of the Company, based on his abundant knowledge and track record in corporate management and corporate governance as well as deep insight in the IT business.

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

The Board of Directors of Z Holdings Corporation determines company group business management strategies and planning, and makes decisions regarding important business matters. Specifically, items such as mergers and acquisitions, or the acquisition or liquidation of high value assets are within the purview of items to be resolved by the Board of Directors. Decisions regarding other individual business matters are, as a rule, to be handled by the management staff in accordance with the Regulations of the Board of Directors Meetings.

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

Z Holdings Corporation's independence standards are based on the independence standards of the Tokyo Stock Exchange.

[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:

- In order to divide the roles of management and supervision, the majority of the Board is held by

non-executive 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 accounting.

(Non-executive directors: seven total, two with experience of management from industries outside of Internet service, one seasoned specialist in accounting, and one woman.)

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

- Kentaro Kawabe: SoftBank Corp., Board Director
- Takao Ozawa: ASKUL Corporation, Director; ValueCommerce Co., Ltd., Director; User Local, Inc., Director
- Masayoshi Son: SoftBank Group Corp., Chairman & CEO; SoftBank Corp., Chairman; Sprint Corporation, Director of the Board
- Ken Miyauchi: SoftBank Group Corp., Board Director; SoftBank Corp., President & CEO
- Kazuhiko Fujihara: SoftBank Corp., Board Director, Executive Vice President & CFO
- Yoshio Usumi: Nomura Research Institute, Ltd., Member of the Board

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

Z Holdings Corporation conducts interviews with Audit and Supervisory Board members, etc. once a year on a regular basis, in order to analyze and evaluate the effectiveness of the Board of Directors. The effectiveness of the Board of Directors was referred to the Board of Directors again this year. As a result, it was confirmed that effectiveness of the Board is generally secured. Although some improvements were seen in issues pointed out in the previous year such as discussions on mid-long business plans, it was confirmed that there still remain some issues in the content of the materials for Board of Directors meetings and their distribution timing. We would like to leverage this result and continue to make improvements.

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

Z Holdings Corporation prepares and offers a training program for directors so they can acquire the necessary knowledge for the position and understand their roles and responsibilities. All expenses for this training are provided by Z Holdings Corporation.

[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 the Tokyo Stock Exchange, Inc. through timely, accurate, and fair disclosure of information. We have adopted the following policies in order to engage in constructive dialogue with our shareholders:

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

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

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

An internal IR division, which specializes in supporting dialogue, is established. In the course of

completing its tasks, the IR division coordinates not only with the financial affairs, accounting, and legal affairs divisions, but also with divisions that develop business, to create documents suitable for release and help realize constructive dialogue with shareholders and investors.

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

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

For IR targeting foreign investors, Z Holdings Corporation creates the majority of the above disclosure publications in English. In addition, we visit our overseas investors hosting “Overseas Roadshows”, primarily in North America, the UK, and Asia, in which we gain the opportunity to directly engage in dialogues with our foreign investors. In regards to IR publications, from immediately after our initial public offering in 1997, we have continued to publish a detailed overview of our financial and business operations as a quarterly financial report to ensure timely disclosure. In addition, along with these reports, we summarize and disclose information on potential risks to the Company. Current publications, as well as an archive of all past ones, are published on the Company website.

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

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

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

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

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

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

2. Capital Structure

Foreign Shareholding Ratio	More than 30%
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[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
SoftBank Corp.	2,125,366,950	44.60%
STATE STREET BANK AND TRUST COMPANY 505325	143,454,592	3.00%
SSBTC CLIENT OMNIBUS ACCOUNT	90,027,481	1.90%
Japan Trustee Services Bank, Ltd. (Trust account)	88,088,800	1.80%
The Master Trust Bank of Japan, Ltd. (Trust Account)	84,655,700	1.80%
GOLDMAN, SACHS&CO.REG	82,812,349	1.70%
JP MORGAN BANK LUX EMBOURG S.A. 1300000	73,540,214	1.50%
JP MORGAN CHASE BANK 385632	58,187,205	1.20%
BBH FOR FIDELITY LOW-PRICED STOCK FUND (PRINCIPAL ALL SECTOR SUBPORTFOLIO)	50,167,141	1.10%
Japan Trustee Services Bank, Ltd. (Trust account No. 9)	47,112,600	1.00%

Controlling Shareholder (except for Parent Company)	-
Parent Company	SoftBank Corp. (TSE Securities Code: 9984)

Supplementary Explanation

• Status of major shareholders is as of September 30, 2019. In addition to the above, the Company has treasury stock of 60,021,000 shares.

• In the Board of Directors meeting held on May 8, 2019, the Company resolved to issue new shares through a third-party allotment to SoftBank Corp, and to acquire its shares by means of an issuer self-tender offer. As a result of the issuance of new shares through a third-party allotment to SoftBank Corp. and the acquisition of its shares from SoftBank Group Japan Corporation, SoftBank Corp. became the Company's parent company as of June 27, 2019. Please note that SoftBank Group Japan Corporation continues to be the Company's parent company and the ultimate parent company of the Company is SoftBank Group Corp.

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Information & Communication
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 50 to less than 100

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

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

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

Ensuring independence from the parent company
 While five members of the Z Holdings Corporation Board of Directors are from our group companies such as our parent company, the directors are responsible for supervising the execution of business in order to increase the corporate value of Z Holdings Corporation itself, and the specific decisions about business operations are made independently by corporate officers using their own, independent decision-making process. Also, Z Holdings Corporation relies very little on its parent company or other members of its company group for its business transactions. Most of its partners in its transactions are consumers or corporations with no investment relationship to 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, etc. which are clearly advantageous or disadvantageous compared to transactions with third parties or to comparable transactions; and transactions for the purpose of shifting profits, losses, or risks.
 Z Holdings Corporation has stipulated in the Regulations of the Board of Directors Meetings that a person having a special interest in the resolution of the Board of Directors cannot exercise his/her voting right. In addition, we endeavor to make an accurate judgment when determining whether a person falls under “a person having a special interest” by seeking advice of an external expert as necessary.
 Using all of these policies, Z Holdings Corporation has determined that it is sufficiently independent in its business operations from its parent company and other group members.

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

1. Organizational Composition and Operation

Organization Form	Company with an Audit and Supervisory Committee
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	9
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board of Directors Meeting	President
Number of Directors	9

Election of Outside Directors	Elected
Number of Outside Directors	3
Number of Independent Directors Out of Outside Directors	3

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	I	j	k
Shingo Yoshii	From another company											
Hiromi Onitsuka-Baur	From another company											
Yoshio Usumi	From another company											

* Categories for "Relationship with the Company"

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

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

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

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

a. Executive of Z Holdings Corporation or its subsidiaries

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

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

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

e. Major client or supplier of the listed company or an executive thereof

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

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

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

i. Executive of a company, with which Z Holdings Corporation mutually appoints outside directors/Audit and Supervisory Committee member (the director himself/herself only)

j. Executive of a company or organization that receives a donation from Z Holdings Corporation (the director himself/herself only)

k. Others

Outside Directors' Relationship with the Company (2)

Name	Audit and Supervisory Committee Member	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Shingo Yoshii	○	○	-	Shingo Yoshii has a wealth of knowledge and experience in business management. He has a great deal of insight regarding corporate governance, and has served with distinction for seven years since his assumption of office as an outside auditor of the Company in June 2008 and four years as an outside director (independent director) and full time Audit and Supervisory Committee member since his assumption of office in June 2015. The Company has elected him

				as a director candidate serving on the Audit and Supervisory Committee because he has contributed to the strengthening of corporate governance and to the improvement of the corporate auditing system.
Hiromi Onitsuka-Baur	○	○	-	Hiromi Onitsuka-Baur has a wealth of knowledge and experience in business management, and has served with distinction for three years since her assumption of office as an outside auditor of the Company in June 2012 and four years as an outside director (independent director) and full time Audit and Supervisory Committee member since her assumption of office in June 2015. The Company has elected her as a director candidate of the Company serving on the Audit and Supervisory Committee because she has contributed to the strengthening of corporate governance and to the improvement of the corporate auditing system.
Yoshio Usumi	○	○	-	Yoshio Usumi has many years of business execution experience and track record in corporate administration. In June 2019, the Company has elected him as a director candidate serving on the Audit and Supervisory Committee of the Company, based on his abundant knowledge and track record in corporate management and corporate governance as well as deep insight in the IT business.

[Audit and Supervisory Committee]

Committee's Composition and Attributes of Chairperson

	Total No. of Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Audit and Supervisory Committee	3	2	0	3	Outside Director
Appointment of Directors and/or Employees to Support the Audit and Supervisory Committee	Appointed				

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

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

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

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

[Voluntary Committees]

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Committee’s Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee’s Name	Nomination Committee	Remuneration Committee
Total No. of Committee Members	4	4
Full-time Members	3	3
Inside Directors	2	2
Outside Directors	2	2
Outside Experts	0	0
Other	0	0
Chairperson	Outside director	Outside director

Supplementary Explanation

Nomination Committee:

Based on a regulation determined by the Board of Directors, the Nomination Committee expresses its opinion to the Board of Directors on all matters related to the agenda of the shareholders meeting on the election and dismissal of directors; election and dismissal of the President, CEO, Representative Director, and Chairman of the Board of Directors; succession plan of President/CEO.

Remuneration Committee:

The Remuneration Committee of Z Holdings Corporation which consists of the President and Representative Director; a non-executive director who is not an independent outside director; and an independent outside director, based on a regulation determined by the Board of Directors, determines the amounts of the bonus and remunerations of the directors and senior management after careful deliberation, based on the business performance in each quarter, the contributions to the business performance, and other factors.

[Independent Directors]

Number of Independent Directors	3
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Matters relating to Independent Directors

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

[Incentives]

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

- Z Holdings Corporation grants restricted stocks to some directors, excluding outside directors and directors serving on the Audit and Supervisory Committee, for the purposes of providing an incentive to sustainably increase the Company's corporate value, and to further promote shared value between the directors and the shareholders.
- Z Holdings Corporation grants stock options to the executive directors as a means of raising their awareness in management participation and enhancing corporate value.

Recipients of Stock Options	Inside Directors / Employees
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Supplementary Explanation

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

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	Individual disclosure for part of the directors
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Supplementary Explanation

The executive remunerations for fiscal year 2018 for Z Holdings Corporation directors are as follows. Currently, there is no system of retirement bonuses to the directors.

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

Directors (excluding Audit and Supervisory Committee members) –

Total: 227, base remuneration: 106, bonus: 130, restricted stocks: 36, number of eligible directors: 2

(Of which for outside directors):

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

Directors (Audit and Supervisory Committee members) –

Total: 60, base remuneration: 50, bonus: 10, restricted stocks: -, number of eligible directors: 2

(Of which for outside directors):

Total (60), base remuneration (50), bonus (10), restricted stocks: (-), number of eligible directors (2)

Total

Total: 332, base remuneration: 156, bonus: 140, restricted stocks: 36, number of eligible directors: 4

Total (60), base remuneration (50), bonus (10), restricted stocks (-), number of eligible directors (2)

(Note)

1. The amount of restricted stocks remuneration is the amount of restricted stock remuneration recorded in this fiscal year.
2. There are no director remunerations, etc. received by the outside directors from the Company's parent company or the subsidiaries of the said parent company other than those prescribed above in this fiscal year.
3. Out of the directors, no director remuneration, etc. is paid to Masayoshi Son, Ken Miyauchi, Arthur Chong, Alexi. A. Wellman, Kazuhiko Fujihara and Kazuko Kimiwada.

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

Manabu Miyasaka (director) Total 142, base remuneration 60, bonus 65, restricted stocks 17

Kentaro Kawabe (director) Total 129, base remuneration 46, bonus 65, restricted stocks 18

(Note: Only those whose sum of consolidated remuneration, etc. is JPY 100 million or over is noted here.)

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The Remuneration Committee of Z Holdings Corporation which consists of the President and Representative Director; a non-executive director who is not an independent outside director; and an independent outside director, based on the Regulation of Remunerations for Directors as determined by the Board of Directors, determines the amounts of the bonus and remunerations of the directors and senior management after careful deliberation, based on the business performance in each quarter, the contributions to the business performance, and other factors.

[Supporting System for Outside Directors]

Timely and necessary support is provided to the outside directors.

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

Corporate Governance System

(1) Board of Directors

The Board of Directors is responsible for corporate management policies, management strategy, business planning, the acquisition and liquidation of important assets, decision making regarding important organization or personnel matters, and the supervision of the execution of business of Z Holdings Corporation and its subsidiary companies. By having seven non-executive directors out of the nine directors, Z Holdings Corporation aims to clearly divide the role of the decision-making of management matters and supervision of business execution (the role of the Board of Directors) from the actual business execution (the role of corporate officers).

Important items that require decisions to be made by the Board of Directors are reviewed in advance at the CEO Committee and at other meetings. Important items related to the Z Holdings Corporation and to group companies are reviewed in the CEO Committee based on internal company regulations.

(2) Audit and Supervisory Committee

The Audit and Supervisory Committee is composed of three members and all members are independent outside directors. Two members, the Committee chairperson Shingo Yoshii, and Hiromi Onitsuka-Baur are full-time directors.

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 documents, 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 Internal Audit Office. Based on these activities, the Audit and Supervisory Committee will regularly present their opinions as an Audit and Supervisory Committee to the full-time directors who are not Audit and Supervisory Committee members.

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”. Z Holdings Corporation judges the current system to be the best whereby: all three Audit and Supervisory Committee members are independent outside directors; and the speedy decision-making and monitoring of management is secured by dividing the roles of decision-making of management matters and supervision of business execution (Board of Directors) from the actual business execution (corporate officers).

III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Explanations
Scheduling General Meeting of the Shareholders Avoiding	Since its foundation, Z Holdings Corporation has consistently avoided scheduling its General Meeting of the Shareholders on the

the Peak Day	days on which those of other companies are frequently held, in order to facilitate the attendance of shareholders.
Allowing Electronic Exercise of Voting Rights	In order to allow more shareholders to exercise the right to vote, votes may be cast over the Internet.
Participation in Electronic Voting Platform and Other Measures to Improve the Environment for Exercising the Voting Rights by Institutional Investors	For increased convenience for institutional investors, we participate in Electronic Voting Platform for institutional investors.
Providing Convocation Notice (Summary) in English	Summarized convocation notices and shareholder meeting reference materials are provided in English as well as Japanese, and published on the Z Holdings Corporation website in order to provide materials to foreign investors.
Other	<ul style="list-style-type: none"> •For shareholders who are unable to attend or who live far away, the proceedings of the Ordinary General Meeting of the Shareholders are broadcast live over the Internet and the video is archived for viewing on a later date. •If so desired and the proper arrangements are made, institutional investors holding shares in the name of a trust bank, etc. are able to observe the General Meetings of the Shareholders.

2. IR Activities

	Supplementary Explanations	Explanation by Representative
Regular Investor Briefings for Individual Investors	Detailed explanations using slides and other means, on recent management conditions, as well as mid- to long-term growth strategies are provided at its Ordinary General Meeting of the Shareholders with the goal of helping individual investors deepen their understanding of the Company's operations. Furthermore, for individual investors who are not able to attend these meetings in person, the presentations are streamed live and archived as video files for viewing at a later date.	Yes
Regular Investor Briefings for Analysts and Institutional Investors	At the earnings results briefing, financial results and details of business activities are explained to securities companies and investors. The proceedings are proactively distributed through various means such as Internet live streams, on-demand videos and telephone conferencing systems. Furthermore, individual interviews and teleconferences are provided for securities companies and institutional investors in which the President and Representative Director or other management staff speak proactively about the growth strategies and share managerial information about Z Holdings Corporation.	Yes
Regular Investor Briefings for Overseas Investors	"Overseas roadshows" are held, primarily in North America, the UK, and Asia, in which we gain the opportunity to directly engage in dialogue with	Yes

	our foreign investors.	
Posting of IR Materials on Website	Since immediately after our initial public offering in 1997, we have published quarterly financial reports to ensure timely disclosure and provide detailed overview of our financial and business operations. In addition, along with these quarterly reports, we provide a summary of information that could become potential risks to the company. Current publications, as well as an archive of all past ones, are published on the company website.	
Establishment of Department and/or Manager in Charge of IR	Z Holdings Corporation has appointed a CFO responsible for the disclosure of information, has established an IR Department in the Corporate Development Division as a dedicated department for meetings with analysts and institutional investors.	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Regulations for Respecting the Position of Stakeholders	Z Holdings Corporation stipulates a clear code of conduct within its “Charter of Corporate Behavior”. We hope to respect the positions of our stakeholders, fulfill our corporate responsibilities to society, and improve corporate value.
Implementation of Environmental Activities, CSR Activities etc.	To contribute to the healthy growth of an Internet-connected society, as an Internet service company, we are proactively engaged in a variety of social action programs. Specifics regarding the contents of these programs are reported on the Z Holdings Corporation website (https://www.z-holdings.co.jp/en/sustainability/).
Development of Policies on Information Provision to Stakeholders	Z Holdings Corporation has its own disclosure policy, and defines IR as: “strategic managerial obligation whereby finance, communication, and compliance with applicable laws and regulations are integrated and whereby effective bilateral communication between the company and the market is enabled in a fair and proper manner.” The Company strives to disclose information in an impartial and detailed manner.
Other	<p>We believe that being in good physical and mental health is directly linked to optimal work performance. We also believe that it leads to the happiness of our employees and their families. Guided by these beliefs, the president and representative director took on the role of Chief Conditioning Officer (CCO) on his own initiative in 2016, and subsequently announced the “Good Condition Declaration.” Today, the current president, representative director, and CEO Kentaro Kawabe announced the Good Condition Declaration. To promote the declaration, Takayasu Yukawa, a corporate officer and the President of personnel-related group of Yahoo Japan Corporation, our core subsidiary, who concurrently serves as the Chairman of YG Health Insurance Society, was appointed CCO and focuses on health management.</p> <p>The Good Condition Promotion Office was established in Yahoo Japan Corporation, which serves as a promotion structure for</p>

	<p>enhancing health management and assists employees to work personally toward better health. We are also promoting employee health in collaboration with the YG Health Insurance Society, which was launched in April 2018.</p> <p>For the first time, in February 2019, Yahoo Japan Corporation was selected as a brand of the “2019 Health & Productivity Stock Selection” jointly selected by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange. For the third year in a row, we have been acknowledged in the large enterprise category (White 500) of the Certified Health and Productivity Management Organization Recognition Program by Nippon Kenko Kaigi.</p> <p>Going forward, we aim to continue to be a company where employees can approach their work both physically and mentally in optimal condition.</p>
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IV. Matters Related to the Internal Control System

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

<p><Systems to ensure proper business conduct></p> <p>In accordance with the Companies Act and Ordinance for Enforcement of the Companies Act, Z Holdings Corporation establishes the following system to ensure proper business conduct.</p> <p>1. Employees who assist the duties of Audit and Supervisory Committee</p> <p>(1) In order to assist with the duties of the Audit and Supervisory Committee, the Company shall appoint employees who do not concurrently serve the duties related to the business execution of the Company and the Group companies.</p> <p>(2) The Audit and Supervisory Committee members or the Audit and Supervisory Committee shall be able to independently hire additional support employee to support the duties of the Audit and Supervisory Committee members if the Audit and Supervisory Committee wishes to do so.</p> <p>2. Independence of the employees mentioned in the previous paragraph from the other directors (excluding those who are members of the Audit and Supervisor Committee)</p> <p>(1) The instructions, orders to and evaluation of the employees mentioned in the previous paragraph shall be performed by the members of the Audit and Supervisory Committee, and all personnel changes and disciplinary measures targeting the said employees must be carried out with the consent of the Audit and Supervisory Committee.</p> <p>3. Ensuring the effectiveness of instructions given by the Audit and Supervisory Committee to the employees prescribed in Paragraph 1</p> <p>(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.</p>

4. System for reporting to the Audit and Supervisory Committee

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

- (i) Important items related to the Group
 - (ii) Status of the structure and operation of the system for internal control
 - (iii) Items that may considerably affect or damage the Group
 - (iv) Violations of applicable laws and regulations, or the Articles of Incorporation, and other important compliance-related items
 - (v) Status of internal audit of the Group
 - (vi) Deliberations of important cases
 - (vii) Status and results of deliberations for considering investment and loans (including cancellations)
 - (viii) Analysis and evaluation of risks that have high importance to the Group
 - (ix) Operation of compliance system in the Group and status of whistleblows to the compliance hotline, etc.
 - (x) Other items which the Audit and Supervisory Committee deems necessary to have reported for the execution of its duties
- (2) The Chief Financial Officer (CFO) and the person in charge of the legal division shall hold periodic meetings with the Audit and Supervisory Committee members for information sharing, and shall report important business-related matters.

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

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

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

(1) If Audit and Supervisory Committee members make requests to the Company on the prepayment, etc. of expenses with respect to the execution of their duties in accordance with Article 399-2, Paragraph 4 of the Companies Act, upon confirmation with the division in charge, the

Company shall promptly process such expense or debt, except in cases where it proves that expense or debt relating to said request is not necessary for the execution of the duties of said Audit and Supervisory Committee members (limited to the duties of the Audit and Supervisory Committee).

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

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

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

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

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

(4) The members of the Audit and Supervisory Committee shall be able to concurrently serve as auditors, etc. of major subsidiary companies ensuring the system of receiving reports from the directors, auditors, etc. and employees of the subsidiary companies, or individuals who receive reports from those in the positions listed above.

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

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

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

(1) The Company shall determine a systematic approach to recognize, manage, and deal with risks to our business in the internal regulations.

(2) Regulations for extraordinary disaster control shall be established to ensure business continuity

during an outbreak of a large-scale environmental disaster.

(3) In preparation for the emergence of risks and occurrence of incidents, the division in charge of incident management shall furnish an incident reporting system to provide prompt reports of the situation, address the issue, and prevent future recurrences.

(4) In order to ensure the effectiveness of information security management, the Company shall appoint a Chief Information Security Officer (CISO) and shall establish a supervisory organization of information security.

(5) Internal regulations on the basic criteria for handling information assets shall be set, disseminated, and training on them shall be conducted.

(6) An organization that comprehensively handles information security incidents shall be established and information on information security incidents shall be managed and handled in an integrated manner.

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

(1) A corporate officer system shall be adopted to allow flexible and efficient business execution.

(2) Internal regulations shall be established to clarify the scope of jobs, authorities and responsibilities necessary for the execution of duties.

(3) Meetings shall be held to discuss and deliberate important matters related to management, and shall support the efficient business execution by the directors.

(4) A company-wide goal shared by directors and employees shall be set and penetrated. In addition, specific goals for employees shall be set in order to achieve the company-wide goal, and the performances of employees shall be evaluated in terms of achievement of the goals.

(5) Internal audit shall be conducted on the efficiency and effectiveness of the execution of business duties, and improvement activities shall be continuously conducted.

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

(1) "Charter of Corporate Behavior" and the "Compliance Program" shall be established in order to thoroughly enforce legal compliance as a basis of corporate activities, and shall be notified to all employees.

(2) The division which supervises compliance issues shall be under the responsibility of the corporate officer in charge of the legal division so that corrective actions can be taken quickly should compliance issues be uncovered. The division shall work to establish a company-wide compliance system, to identify compliance issues within the company, and to provide periodic reports on the status of compliance to the meetings that supervise the compliance system of the Group.

(3) Internal regulations on whistleblows shall be established, and a system shall be in place for the President, Chief Executive Officer (CEO), or full-time Audit and Supervisory Committee members to receive direct reports and whistleblown reports, or for the external lawyers to receive anonymous

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<Outline of the operational status of the systems to ensure proper business conduct> (Revised on July 1, 2019)

1. Operational status regarding the Audit and Supervisory Committee

(1) 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, as well as the duties of the Audit and Supervisory Committee.

- (2) Audit and Supervisory Committee convenes periodically and information is shared between the full-time and part-time Audit and Supervisory Committee members.
 - (3) Full-time Audit and Supervisory Committee members receive reports, etc. on the following items related to the company.
 - (a) Important business matters from the Chief Financial Officer and the person in charge of the legal division;
 - (b) Security-related reports and progress reports on ERM (Enterprise Risk Management) activities, etc. from the heads of security-related divisions;
 - (c) Risk-related matters that have high importance in this Group by attending the “Risk Management Committee”;
 - (d) Compliance-related matters of the Company, such as cases that were informed through whistleblowing by attending the “Compliance Committee”;
 - (e) Information on important matters that are to be approved by the President by attending meetings where these are discussed, and give opinions from the viewpoint of supervising business execution. In addition, they receive information on other important matters related to management through the minutes of the meetings attended by corporate officers in charge of management, etc., and convey their opinions, etc. as needed.
 - (4) Audit and Supervisory Committee members receive reports, etc. on the following items related to the company.
 - (a) Periodic reports on incidents that have occurred in the Company and subsidiary companies, etc. from the division in charge of internal audit;
 - (b) Periodic reports on the financial status of the Company and the subsidiaries through the division in charge of finance and the division in charge of investment management;
 - (c) Information is shared and views are exchanged periodically in regards to the financial status of the Company with the audit corporations.
 - (5) The full-time Audit and Supervisory Committee members of Z Holdings Corporation concurrently serve as the auditor of major subsidiary companies.
 - (6) The Audit and Supervisory Committee employs an external lawyer as an adviser, at the company’s expense, and receives legal advice on the business execution of the Audit and Supervisory Committee from this lawyer.
2. Operational status regarding the system on risk management
- (1) Based on “Regulations on Risk Management”, the risks of the Company is recognized, managed and disclosed in the securities reports, etc. An ERM framework is established, the risks of the Company and the subsidiaries are comprehensively managed, and the skills and capabilities of risk management are enhanced through debriefing meetings and trainings, etc.
 - (2) “Guidelines on Emergency and Disaster Response Measures” have been thoroughly informed to all employees in order to ensure business continuity during an outbreak of a large-scale environmental disaster.
 - (3) The President, Chief Financial Officer and Chief Technology Officer revise the policy on countermeasures to the risks of the Group as needed, based on the results of risk assessment conducted by the secretariat of the Risk Management Committee.

- (4) The supervisory organization of information security plays a central role in notifying and educating the revised items to all employees; constructing a system in line with the revisions; inspecting the status of these revisions; and reporting the results to the President and Chief Information Security Officer.
 - (5) A third party Information Security Management System (ISMS) conducts a review and revises the certification on this management system.
 - (6) A management review is conducted in order for the President to recognize the changes in the issues related to risks on information security in and out of the company; status of the residual risks; and the implementation status of the measures to mitigate risks; so that the company can make appropriate judgements on risks related to information security.
3. Status of measures to improve the effectiveness of business execution
- (1) “Regulations on the Division of Duties and Authorities” which set forth job authorities and decision-making rules, has been revised in response to the changes in the business environment. This way, systems to support appropriate decision-making in response to organizational changes and changes in business environment are maintained without delay, and authorities are proactively transferred to promote speedy decision-making.
 - (2) In order to conduct appropriate decision-making on important matters related to management, CEO Committee has been held and Management Meetings are held periodically so that discussions and deliberations can be made among the related corporate officers before the decisions are made.
 - (3) A company-wide income goal is set, and based on the goal, budgets for each divisions are made. The Board of Directors sets the company-wide budget, and a periodic review of the achievement is conducted in order to improve the business results.
 - (4) The division in charge of internal audit has held audits on each division in order to improve the company-wide evaluation on the efficiency and validity of business execution. In addition, it conducts company-wide audits by themes, such as company-wide security management, etc.
4. Status of measures regarding compliance
- (1) E-learning based on “Charter of Corporate Behavior” and “Compliance Program” is held towards all employees, and awareness program towards compliance is in place.
 - (2) Transactions with anti-social forces are prevented by including, in principle, a term mutually declaring that they are not anti-social forces when concluding agreements with new business counterparts,
 - (3) On matters that were reported through the whistleblowing system, the Compliance Supervision Division makes investigations, and gives instructions on improvements as needed. In addition, matters related to employees are reported to the Compliance Committee which is constituted by the President and full-time members of the Audit and Supervisory Committee, and measures to prevent recurrence are conducted such as promotion of understanding among employees through e-learning.
5. Status of measures to ensure proper business conduct of our corporate group
- (1) In accordance with the “Regulations for the Management of Affiliated Companies”, an “Agreement regarding Corporate Management” is concluded with unlisted companies that have newly become subsidiaries. The subsidiaries are requested to acquire approval from, or make reports to Z Holdings Corporation on important matters related to this subsidiary company.
 - (2) The division in charge of internal audit of Z Holdings Corporation conducts audits on major subsidiary companies in order to manage the risk of losses in these companies.
 - (3) Group CCO meeting is held as an information sharing forum in regards to compliance issues in the subsidiary companies.
 - (4) Group CISO meeting is held as an information sharing forum in regards to information security in the subsidiary companies and affiliates. The level of information security across the whole Group is enhanced by introducing similar systems against malware in several

subsidiary companies and by sending persons in charge from our supervisory organization on information security to the subsidiaries.

- (5) The e-learning content that is conducted to the employees of Z Holdings Corporation is conducted to the directors and employees of subsidiaries of the Group based on the requests from the subsidiaries. This e-learning content is shared with other major Group companies and is implemented in the compliance training of these companies.

6. Holding of important meetings

Important meetings are held as follows:

Board of Directors meetings: 15times

Audit and Supervisory Committee: 5 times

CEO Committee: 15 times

2. Basic Views on Eliminating Anti-Social Forces

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

Based on this policy, the mandate for total separation from anti-social forces is clearly stated in our “Charter of Corporate Behavior”, and our “Compliance Program” also 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 could support the activities of such forces or groups. In addition, beyond the preparation of and comprehensive dissemination of manuals and circulars, as well as carrying out training programs regarding this policy, we also cooperate with external specialized organizations such as relevant police and government agencies and legal offices. Furthermore, we are a member of the “Special Violence Prevention Coalition (Tokubouren)”, which collects information about anti-social forces and the proper way to handle unreasonable demands, thereby strengthening our system for dealing with such scenarios.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation

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2. Other Matters Concerning Corporate Governance System

1. Attitude regarding the timely disclosure of information

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

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

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

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

(1) President and Representative Director, 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), etc.

Furthermore, in collaboration with the Finance Management 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; understanding of management-related information of subsidiaries; and day-to-day management support and information sharing with the administrative business of subsidiary companies.

As the division in charge of information disclosure, it is responsible for organizing the earnings results briefings, preparation of information release materials (IR releases) for publication using TDnet, and disclosure of information to investors and shareholders, etc., in collaboration with the Legal Management Division. Furthermore, it is responsible for the creation of securities reports; understanding of financial information of subsidiaries; and cooperation with account auditors.

(4) Security & Risk Management Division

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 and Finance Management Division regarding relevant information in advance. Both divisions 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.

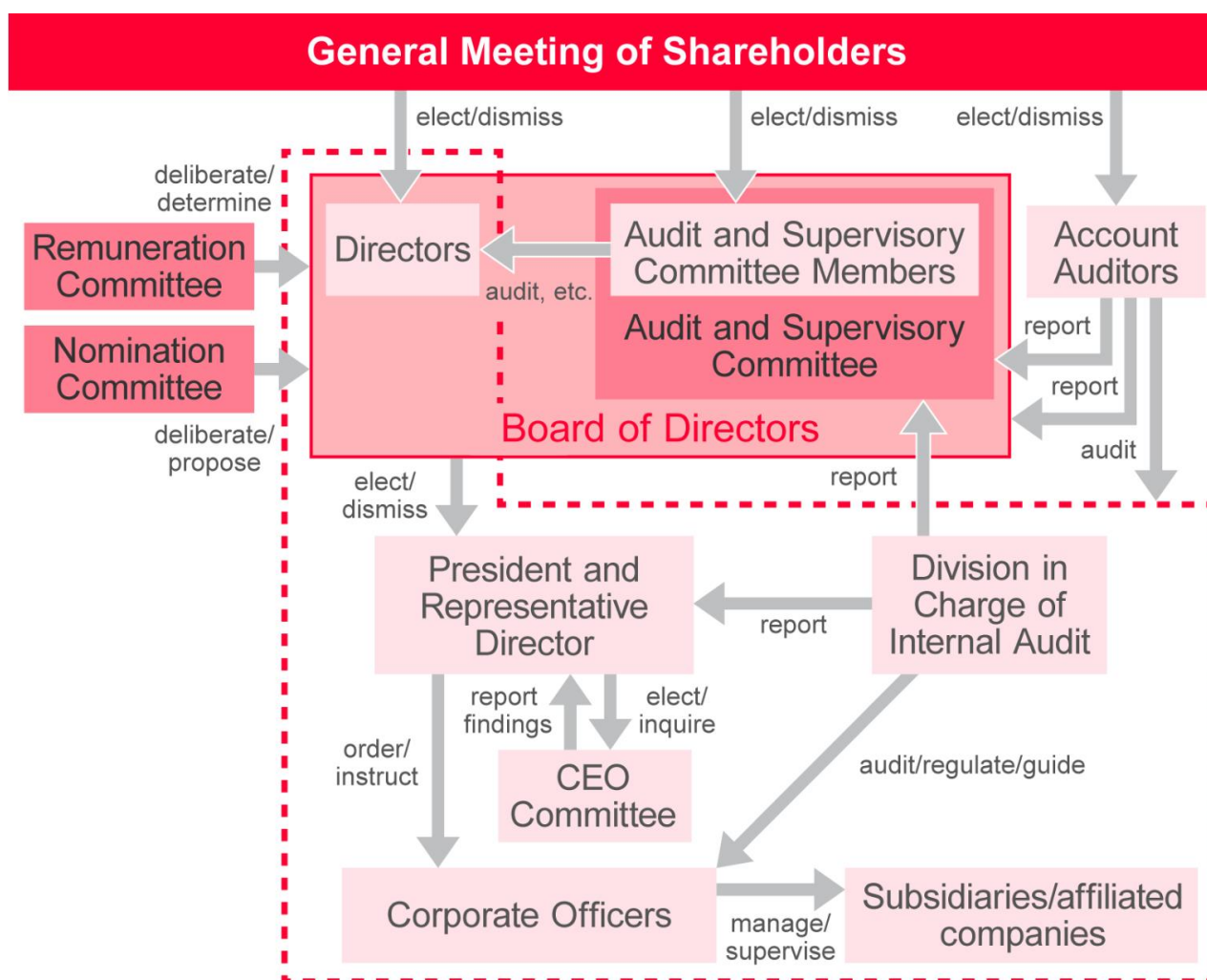
Afterwards, based on the content of the case, both divisions will collaborate to create disclosure documents for release after they have been discussed and approved by the Board of Directors or approved by the personnel responsible for the disclosure of information.

(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 Security &

Risk Management Division. 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.