Z HOLDINGS
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Independent Outside Director Interview

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Monitoring management from the perspectives of minority shareholders and society, and supporting the acceleration of business growth and medium- to long-term enhancement of corporate value leveraging integration synergies

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Q1 From the standpoint of an independent outside director, what is your view of Z Holdings Corporation?

As symbolized by the business integration with LINE Corporation and the consolidation of PayPay Corporation as a subsidiary, Z Holdings Corporation (hereinafter "Z Holdings") is a company that can take on enormous challenges. I believe that there are only a few Japanese companies that have a history of making such bold decisions. As a result, Z Holdings has become a holding company that owns three super apps: Yahoo! JAPAN, LINE, and PayPay, significantly expanding business opportunities.

At the same time, as one of Japan's largest and one of Asia's top class digital platform operators, we are increasingly responsible for ensuring service quality and protecting personal information. Z Holdings, which has more than 100 group companies in Japan and overseas, recognizes the importance of having an effective "horizontal and vertical governance" in order to achieve global data governance.

Since we have SoftBank Corp. (hereinafter "SoftBank") and NAVER Corporation (hereinafter "NAVER") as our major shareholders, we believe it is important to enhance our corporate value while listening to the voices of minority shareholders.

Q2 The composition of the Board of Directors has changed significantly with the business integration. How do you evaluate the current structure of the Board of Directors?

In the past, Z Holdings had directors from its parent companies. For example, Masayoshi Son, founder of SoftBank, was the director of Yahoo Japan Corporation (hereinafter "Yahoo! JAPAN"), and Hae Jin Lee, founder of NAVER, was the director of LINE Corporation (hereinafter "LINE"), who both supported bold decisions at major milestones as directors of their respective companies. Since the business integration, Z Holdings has a 10-member board, including three directors each from Yahoo! JAPAN and LINE, four independent outside directors, and there are no longer directors from the parent companies.

At present, six out of ten directors are in-house executive directors. At the Board of Directors meetings, directors who are well versed in the industry and business conduct intensive discussions with each other. Directors from LINE backgrounds provide opinions on Yahoo! JAPAN's business, while directors from Yahoo! JAPAN backgrounds provide opinions on LINE's business, enabling them to provide perspectives similar to that of independent directors.

We believe that a system in which executive directors mutually supervise/promote each other's businesses, and non-executive independent outside directors supervise the overall governance, is a good balance given that Z Holdings has just undergone a business integration and that the industry is fast-evolving.

Q3 The Governance Committee was established in May 2021. Why was it established and what is its role?

After the business integration in March 2021, an independent director pointed out the necessity of establishing an organization which can objectively evaluate and examine issues related to the Group's corporate governance. In response, we established the Governance Committee consisting of four independent officers as an advisory body to the Board of Directors.

The Governance Committee addresses important matters that are also related to corporate governance, including prior confirmation and reports on transactions with parent companies and other related parties, in order to further improve the level of group governance and protect minority shareholders.

Moving on, one of the areas we intend to focus on in terms of governance is how we respond to globalization. Different countries have different legal systems and business situations. Furthermore, labor laws, labor practices, and the mobility of human resources are very different from those in Japan, so I think it is important to implement Group governance in a way that is mutually acceptable, which takes into account such differences.

Q4 What is the aim of the revised executive remuneration system?

Z Holdings and LINE had very different executive remuneration systems, as well as different approaches to remuneration to begin with. After the business integration, it was necessary to promptly introduce a common remuneration system that was mutually agreeable, so that directors of both companies could be on the same page in their approach to management to enhance corporate value.

Both companies, on the other hand, commonly realized the need for the management team to exercise leadership, take appropriate risks, and take on major challenges for the Group to have a presence in the highly competitive Internet industry. The Nominating and Remuneration Committee spent a year thoroughly discussing what kind of remuneration system would be required to accelerate these challenges, by utilizing outside consultants and checking benchmarks at other companies. In the Internet industry, competition for talent is intensifying on a global level, and the remuneration system must be such that attracts talented people while preventing their outflow.

Based on these discussions, Z Holdings first focused on supporting business growth and enhancement of corporate value with regard to remuneration for executive directors, placing more weight on stock-based remuneration rather than monetary remuneration, and in particular, setting a higher ratio of stock options. Another major feature of the revised system is the incorporation of sustainability evaluation into the evaluation criteria for performance-linked bonuses, in order to accelerate the promotion of sustainability management.

Q5 What measures are being taken to improve the effectiveness of the Board of Directors?

A characteristic approach to improving the effectiveness of the Company's Board of Directors is that all independent outside directors and the secretariat of the Board of Directors conduct a review immediately after almost every meeting of the Board of Directors.

We discuss the issues that emerged and reflect on the day's meeting, for example, matters which should have been explored more in depth, topics that need to be addressed in the Governance Committee, or items to be confirmed with the Audit and Supervisory Committee, and incorporate them in the operations of the next board meeting or committee meeting. Of course, we conduct formal evaluations on effectiveness every fiscal year, but I think this review is a good initiative by our company because we can make improvements every month.

In our company, full-time outside directors, as well as part-time outside directors, have seven to eight opportunities per month to exchange opinions, including regular board and committee meetings, as well as pre-board briefings and meetings with the Co-CEOs. I believe that such active communication between the outside directors and employees, and the fact that there is an active communication on a daily basis, lead to fruitful discussions at board and committee meetings.

Q6 What is your focus in the area of ESG?

After the business integration, Z Holdings revised its materiality issues for the Group and identified "Six Materialities ."
Among them, I place particular emphasis on "reinforcing human capital." It is no exaggeration to say that "human capital is everything" in the business of the Z Holdings Group. Even if companies with excellent technologies and business models join the Z Holdings Group through M&As and other means, business development and growth cannot be expected if there is an outflow of human capital that supports them.

The Z Holdings Group's technology division attracts genuine engineers who value manufacturing, while another characteristic of the Group is its openness, as seen in the active participation of many employees in company meetings. I think it is important to continue to refine our organizational culture and work environment so that our employees feel that they can grow and do interesting work by working with us.

Q7 As an independent director, what kind of activities do you plan to engage in in the future? What are your aspirations?

The major role of independent outside directors is to monitor management.

We will examine whether corporate value is being improved from a medium- to long-term perspective, whether the Group's management strategy is in line with the interests of shareholders, including minority shareholders, and whether each measure is progressing as planned. Especially after the business integration with LINE, we examine the progress of PMI and any points that we have noticed or areas that need improvement will be openly conveyed to the executive officers.

In addition, as the business environment surrounding digital platform operators changes rapidly, it is necessary to appropriately promote "offense" approaches in our management such as bold upfront investments, and "defense" approaches such as strict compliance with laws and regulations and information protection around the world.
We intend to support the management of the Z Holdings Group by providing appropriate advice and proposals based on an objective and neutral understanding of such changes in the environment, our business strategies, and business condition.

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