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LY Corporation

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The corporate governance of LY Corporation (the “Company”) is described below.

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

1. Basic Views

up (the “Group”) regards corporate governance as an indispensable function for enhancing corporate value over the medium to long-term. As stated in the “LY Corporation Group Code of Conduct,” each director and employee fully understands his or her required role, maintains proper corporate governance to earn the trust and understanding of all, and conducts efficient corporate activities.

<LY Corporation Group Code of Conduct>

<https://www.lycorp.co.jp/en/company/codeofconduct/>

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

[Supplementary Principle 4.1.3: Establishment and implementation of a succession plan by the board]

As an advisory body to the Board of Directors, the Company establishes a Nominating and Remuneration Committee, chaired by an independent outside director (including a director serving on the Audit and Supervisory Committee), and the majority of whose members are independent outside directors (including directors serving on the Audit and Supervisory Committee). The succession plan for the Representative Director and directors is discussed as one of the most important issues in this Nominating and Remuneration Committee. From the fiscal year ending March 31, 2025 onward, the Company plans to continue to hold repeated discussions, and work on the formulation of a succession plan.

[Principle 5.2: Establishing and disclosing business strategies and business plans]

The evolution of IT technologies is remarkable, and forecast is hard to make even in a medium term. Therefore, the Company currently does not disclose medium- to long-term management plans. However, when considering the direction of future revenue expansion, the Company takes capital cost into account to consider the revision of business portfolio and distribution of management resources, and explains such deliberations at the earnings results briefings and shareholders meetings.

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

[Principle 1.4: Cross-shareholdings]

■ Policy on acquisition/possession and results of assessment

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

■ Basis of exercising voting rights

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

[Principle 1.7: Framework for appropriate procedures in proportion to the importance and characteristics of the transaction with related parties]

The Company 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 their voting rights. In judging whether a person's special interest conflicts or not, the Company endeavors to make the right judgments by seeking the opinion of external experts as necessary and so forth. The Company's Board of Directors is composed of six directors, four of whom are independent outside directors, ensuring independence. In addition, as an advisory body to the Board of Directors, the Company establishes a Governance Committee composed of said four independent outside directors. The aforementioned Committee conducts deliberations on transactions between the Company and related parties such as SoftBank Group Corp., SoftBank Corp., A Holdings Corporation, NAVER Corporation, and their subsidiaries (the "Related Party Transactions") from the perspectives of fairness, economic rationality, and legality.

Furthermore, the division responsible for governance conducts a review of Related Party Transactions that do not require deliberation by the Governance Committee. For transactions meeting specific criteria, the

independent outside director serving as a full-time Audit and Supervisory Committee member is authorized by the Governance Committee to conduct a prior review from the same perspectives as the Governance Committee.

[Principle 2.4.1: Ensuring diversity, including in the appointment of core human resources]

The competitive advantage of the Group's businesses essentially derives from its ability to create innovative services and products, which is underpinned by its employees. The strength of the Company and the Group companies lies in the presence of numerous employees who have built and driven the diverse range of services that are being offered. Therefore, establishing a cycle in which employees can work more energetically and create outstanding products and services is one of the Group's top priorities. Believing that maximizing the growth and performance of people and organizations enhances the Group's human capital value, the Group works on two main pillars: "reinforcing human capital" and "fostering a unique culture." The first pillar in particular is also positioned as a material issue. It aims to strengthen its talent by supporting employee growth and improving the working environment, while also fostering a unique culture by enhancing communication between management and employees, leading to increased employee engagement.

Furthermore, the Company is committed to promoting diversity as it recognizes that having a diverse workforce is essential to the creation of innovative ideas and strategies.

■ Permeating DE&I in the organizational culture

The LY Corporation Group has established the "LY Corporation Group Human Rights Policy" and is dedicated to creating an environment that enables peak performance for all employees, regardless of differences or attributes such as political beliefs, ideology, religion, sex, gender identity, sexual orientation, physical characteristics, illness, age, national origin, race, ethnicity, social origin, family or marital status, background, or life stage, while respecting human rights. Additionally, the Company has developed the "The Basic Concept of DE&I at LY Corporation," and is actively engaging in various initiatives based on this concept. Through regular surveys, the Company assesses employees' awareness of diversity promotion and DE&I enhancement, and takes measures for improvement.

The Company recruits and appoints talented individuals who can immediately contribute to the business needs, regardless of age, experience, nationality, or race, taking into consideration future business development, business environment, and optimization of our talent portfolio. The Company ensures optimal placement of employees to maximize their experience, knowledge, and skills, and create an environment where all individuals can demonstrate their abilities regardless of their attributes or life stages. Therefore, while specific numerical targets are not set for foreign nationals or mid-career hires, the Company leverages diversity to drive sustainable growth for both its employees and products.

Furthermore, the Company places importance on sound and transparent management, aiming to connect diversity to the enhancement of corporate value.

For more information, please refer below:

- LY Corporation Group Human Rights Policy
<https://www.lycorp.co.jp/en/company/humanrights/>
- Human Capital Strategy (Reinforcing Talent and Fostering a Culture)
<https://www.lycorp.co.jp/en/sustainability/esg/social/human-capital/>
- DE&I, Work Style, Well-Being
<https://www.lycorp.co.jp/en/sustainability/esg/social/human-capital2/>
- Fostering a Unique Culture & Monitoring for Better Performance
<https://www.lycorp.co.jp/en/sustainability/esg/social/human-capital3/>
- Facilitating Human Capital Growth
<https://www.lycorp.co.jp/en/sustainability/esg/social/human-capital1/>

■ Females in managerial positions

The ratio of females in managerial positions in the Company was approximately 19% (as of March 31, 2025). While this exceeds the national average of 12.7%, the Company aims to increase this to the equivalent of the ratio of female employees out of the total workforce (approximately 33% as of October 1, 2023) by 2030.

In light of future changes in the employee gender ratio, the Company plans to regularly review target values and create opportunities for re-confirmation and discussion of policies.

Reference: The proportion of females in managerial positions (equivalent to section chief or higher) according to the Basic Survey of Gender Equality in Employment Management for the fiscal year 2023: 12.7%

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

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

[Principle 3.1 i): Company objectives (e.g., business principles), business strategies and business plans]

(1) Fundamental Business Management Policies

The LY Corporation Group strives to achieve its mission to "Create an amazing life platform that brings WOW! to our users."

With the development of the information technology, we are now able to acquire all kinds of knowledge and information through the internet and to disseminate information around the world. Using the power of information technology, the Group believes that mankind will be liberated from various restrictions and that a new future will be created. The Group aims to enhance its corporate value by constantly striving to improve its services, focusing on maintaining a user-first approach and sustainable growth, and by contributing to solving the various issues faced by people and society.

(2) Management Performance Indicators Used for Goals

As its core management performance indicators, the Group gives priority to the revenue and adjusted EBITDA* for the overall Group. The reasons for setting these indicators are as follows:

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

Adjusted EBITDA: This indicator was chosen as an indicator that can capture recurring profitability by excluding non-recurring and non-cash gains and losses, such as impairment losses and remeasurement gains and losses from business combinations, in addition to depreciation and amortization.

As non-financial key indicators, the Yahoo! JAPAN portal website focuses on the daily unique browsers (DUB), etc., while the LINE communication app focuses on the monthly active users (MAU), DAU/MAU ratio (ratio of daily active users to monthly active users; active ratio), etc.

Other key indicators by business segment are as follows:

Media Business: total advertising revenue, number of paid accounts of LINE Official Account, etc.

Commerce Business: e-commerce transaction value, etc.

Strategic Business: PayPay GMV and number of PayPay payments of PayPay Corporation; credit card transaction volume of PayPay Card of PayPay Card Corporation; number of PayPay Bank Accounts of PayPay Bank Corporation, etc.

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

(3) Medium- to Long-Term Business Strategies

(a) Business environment

Due to the rapid advancement of AI and other digital technologies in recent years, data is starting to serve as a source of value in every domain of society. In particular, advanced technologies such as generative AI have evolved remarkably, and are growing its significance in our work, learning, daily lives, and other diverse areas. Looking ahead, these technologies are expected to impact not only the internet industry, but also various other industries, including healthcare and education. At the same time, AI will be used for a wide range of purposes, from alleviating traffic congestion and improving energy efficiency to preventing crimes, fundamentally transforming the fabric of society.

The businesses of the Group can be largely classified into Media Business, Commerce Business and Strategic Business.

The Media Business provides a variety of media services and generates revenue through advertising placed by companies and other entities. According to Dentsu Inc., total advertising expenditures in Japan was JPY7.6730 trillion for 2024 (YoY +4.9%). This figure was the highest since the company began its estimates in 1947. Out of the total advertising expenditures, internet advertising spending recorded JPY3.6517 trillion (YoY +9.6%), maintaining a continuously high growth rate against the backdrop of the digitalization of society and driving the growth of the entire advertising expenditures in Japan. Internet advertising media expenditures, which constitute approximately 80% of internet advertising spending amounted to JPY2.9611 trillion (YoY +10.2%), due to the growth of video advertising, especially social media vertical video ads. By type, paid search advertising and display advertising accounted for approximately slightly over 60% of the total, while video advertising grew 23.0% from the year before, accounting for just under 30% of the total.

The Commerce Business provides a wide array of services, mainly around e-commerce. According to research by the Ministry of Economy, Trade and Industry (“METI”) of Japan, the BtoC e-commerce market is around JPY24.8 trillion (YoY +9.2%) in 2023, and the e-commerce ratio in the merchandising sector is 9.38%. The stay-at-home demand is still facing a slowdown that started last year as consumers returned to brick-and-mortar stores, but the market showed solid growth. On the other hand, the role of brick-and-mortar stores is evolving, and the efforts to integrate e-commerce with physical store operations are advancing further, indicating that the movement toward these integrations, which leverage the features of physical stores, and trends such as improving customer experience, are expected to accelerate.

The Strategic Business offers various services, mainly around fintech. According to METI, Japan’s cashless payment ratio in 2024 increased to 42.8% (up 3.5 points YoY), achieving the government goal of 40% ahead of schedule. However, the level remains low compared to other countries in the world. As METI aims to hike the ratio of cashless payment to 80%, the cashless payment market in Japan is expected to continue to grow.

(b) Management strategy

The Group is a globally unique corporate group that covers from online to offline services in a comprehensive manner. The abundance of data collected through its extensive lineup of services provides the Group with an important competitive edge in the creation of new and unique services. The Group aims to provide optimal services for each and every user, and to provide even higher-quality user experiences through the cross-use of data received from each service. In addition, as a Group that has one of the largest data assets in Japan, both in volume and in variety, it will maximize the capabilities of its data and will aim to become an enterprise that enhances the value of the whole society.

Basic Policy of Major Business Segments

■ Media Business

The Media Business provides various media services that are indispensable to the daily lives of users. These services are used by many, and the major source of revenue for the Media Business is advertising. Based on the

user-first principle, the Group constantly endeavors to provide needed services at the right time. The Group believes that enhancing its credibility as a media platform will lead to an increase in the number of users over the medium- to long-term, and to an increase in advertising revenue.

The Group promotes the "Connect One" concept, a platform that connects LINE Official Account with the various services that the Company provides for businesses, seamlessly integrating all customer contact points while maximizing Life Time Value. Going forward, the Group will achieve further evolution to offer services that go beyond business solutions (advertising products).

The Group also strives to promote cross-use through LYP Premium, a cross-Group paid membership program. In addition to providing benefits that were offered in the former Yahoo! JAPAN Premium, the Group aims to acquire new members and expand the use of LY Corporation Group's services through services with benefits that make the LINE app more fun and convenient.

■ Commerce Business

The Group's Commerce Business provides e-commerce-related services. The Group will aim for a sustainable growth in earnings by connecting the three action points, LINE, Yahoo! JAPAN and PayPay, each of which has one of the largest user bases in Japan. Through this connection, the Group will promote the cross-use of services within the Group and expand the Group's ecosystem. Using LYP Premium, which combines the benefits of the Group's services, the Group will aim to increase its e-commerce transaction value as well as increase membership and GMV/transaction volume for PayPay, PayPay Card, and other services.

In addition, the LINE app is planned to be revamped in stages starting from the second half of fiscal 2025. By adding a "Shopping" tab in the app, a new purchase experience will be provided to users via the communication app. Through this initiative, the Group will work to improve the convenience of LINE and accelerate the promotion of cross-use.

■ Strategic Business

The Strategic Business offers various services, mainly around fintech. Beginning with PayPay, a cashless payment service that accounts for more than 60% of the QR code payment market in Japan, the LY Corporation Group will expand various financial services such as credit cards, banking, securities, and insurance.

[Principle 3.1 ii): Basic views and guidelines on corporate governance]

The Group regards corporate governance as an essential function for enhancing corporate value over the medium to long term. To this end, as clearly stated in its "LY Corporation Group Code of Conduct," the directors and employees fully understand their expected and required roles, will maintain sound corporate governance and will practice efficient corporate activities in order to earn the trust and sympathy of the Company's stakeholders.

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

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

top management team to exercise their leadership. The "Policy for Determining the New Remuneration, Etc., for Individual Directors" (the "Remuneration Policy") was established to encourage bold risk-taking by the top management team through executive remuneration and to enable the Company to achieve sustainable growth. The establishment of the Remuneration Policy has been deliberated by the Nominating and Remuneration Committee.

<Remuneration Policy >

<https://www.lycorp.co.jp/en/sustainability/esg/governance/corporate-governance/#anc8>

[Principle 3.1 iv): Board policies and procedures in the appointment and dismissal of the senior management and the nomination of director candidates]

The suitable person for director candidate is nominated by the Board of Directors. The criteria which are taken into consideration include performance, experience, knowledge, popularity, etc. in the Company or in other companies. If a director, etc. falls under the reasons for dismissal as prescribed in the internal regulations, the Board of Directors shall be consulted as to whether or not to submit the dismissal of such director as an agenda item for the shareholders meeting. A Nominating and Remuneration Committee, chaired by an independent outside director (including a director serving on the Audit and Supervisory Committee), and the majority of whose members are independent outside directors (including directors serving on the Audit and Supervisory Committee), will discuss and propose the nomination of director candidates and dismissal of directors, etc. to the Board of Directors. In addition, when making nominations for director candidates in particular, the Nominating and Remuneration Committee pays attention to ensuring diversity in terms of gender, age, internationality, and so forth to prevent membership from gravitating towards all members having similar characteristics.

[Principle 3.1 v): Explanations with respect to the individual appointments, dismissals and nominations on the appointments and dismissals of senior management and nomination of director candidates, based on "Principle 3.1 iv)"]

The Company discloses the reasons for the nomination of director candidates in the notice of the meeting of the shareholders when a proposal for the election is presented to the meeting of the shareholders.

<https://www.lycorp.co.jp/en/ir/stock/agm.html>

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

The Group upholds "Create an amazing life platform that brings WOW! to our users." as its mission. The Group will bring positive impact to society through its businesses and promote sustainability management that takes responsibility for future generations by addressing social issues, including the global environment and human rights.

To promote sustainability management, the LY Corporation Group establishes the following Basic Policy on Sustainability and identifies six material issues.

1. Promote sustainability from the standpoints of both society and business
2. Work collectively to address sustainability while taking advantage of the unique characteristics of each Group company

3. Take on challenges without being bound by precedents, and strive to continuously generate innovation

For further details, please refer to the Company's sustainability website.

<Sustainability website>

<https://www.lycorp.co.jp/en/sustainability/>

(a) Human capital and intellectual properties

Human capital

The competitive advantage of the Group's businesses essentially derives from its ability to create innovative services and products, which is underpinned by its employees.

Believing that maximizing the growth and performance of people and organizations enhances the Group's human capital value, the Group works on two main pillars: "reinforcing human capital" and "fostering a unique culture."

In particular, "reinforcing human capital" is positioned as one of the Company's material issues, and the Sustainability Committee deliberates, makes decisions, and monitors the progress of this initiative.

This initiative is disclosed and explained on the Company's sustainability website, in the securities report, and other publications.

<https://www.lycorp.co.jp/en/sustainability/esg/social/human-capital/>

<https://data.swcms.net/file/ly-ir/dam/jcr:18ef59f4-4aae-4b7d-8ae0-3bf38749af45/S100VYGU.pdf>

(Japanese only)

For details on the Sustainability Committee, please refer here:

<https://www.lycorp.co.jp/en/sustainability/management/#anc2>

Intellectual Property

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

Details are available on the Company's sustainability website.

<Intellectual Property>

<https://www.lycorp.co.jp/en/sustainability/esg/social/intellectual-property/>

(b) Tackling climate change

(1) Governance

The Company has established an executive structure centered on the Sustainability Committee, chaired by the President and Representative Director under the supervision of the Board of Directors, to promote

initiatives to address various sustainability issues across the Group companies. Regarding the supervisory structure, the Board of Directors receives proposals and reports on important matters from the Sustainability Committee as needed, and also receives reports on company-wide risks, including sustainability-related risks, from the Risk Management Committee once every six months in principle.

(2) Strategy

The Company utilizes the power of IT to address its material issue of fulfilling responsibilities for the global environment and future generations. It is working towards a decarbonized society by transitioning to renewable energy sources for electricity, among others, in collaboration with partners within the Group and across the supply chain. Additionally, in pursuing the natural capital agenda, which has a nexus with climate-related agenda, the Company promotes initiatives such as the conservation of water resources and biodiversity. The Company views these efforts to address climate-related and natural capital issues as business opportunities to deepen collaboration with a wide range of stakeholders in society and will continue to take on these challenges.

- Identification of risks and opportunities:

Support for TCFD Recommendations

The Company recognizes that risks and opportunities associated with climate change can impact business strategy. In June 2020, the Company expressed its support for the Task Force on Climate-related Financial Disclosures (TCFD). By referencing TCFD recommendations, the Company categorizes risks and opportunities into short-, medium-, and long-term, and also discloses those related to natural capital.

- Response to risks and opportunities:

In February 2022, the Group announced its "2030 Carbon Neutrality Declaration," a commitment to reduce greenhouse gas emissions ("GHG emissions") from the business activities of the entire Group to net-zero by FY2030, as a policy to address climate-related risks and opportunities. Efforts are underway to improve energy efficiency and promote the adoption of renewable energy at data centers and business sites to realize carbon neutrality. To achieve the target by FY2030, first, more than 80% of the electricity used by major Group companies will be generated from renewable energy sources by around FY2025, and then the remaining electricity will be converted to 100% renewable energy sources over the following five years.

(3) Risk management

The Company has established an Enterprise Risk Management (ERM) system under the supervision of the Board of Directors, with the President and Representative Director, being the Chief Executive of Risk Management. More specifically, it has set in place a comprehensive company-wide risk management system to accurately identify and respond to management and business-related risks at the Company and its Group companies. Risks related to sustainability are also integrated into the ERM system

(4) Metrics and targets

One of the Group's main businesses is the operation of internet media and services, which is heavily reliant on water resources as they are essential for electricity and cooling servers required for data center operations. In addition, as the Group collaborates with a wide variety of companies, the Group's entire supply chain has a tremendous impact on the environment. Therefore, GHG emissions and water consumption issues across the supply chain are prioritized in particular, with specific metrics and targets established. Resource circulation and environmental investment amounts are also monitored using defined evaluation indicators.

Detailed information on climate change initiatives is disclosed and explained in the securities report and on the Company's sustainability website.

<Securities Report>

<https://data.swcms.net/file/ly-ir/dam/jcr:18ef59f4-4aae-4b7d-8ae0-3bf38749af45/S100VYGU.pdf>

(Japanese only)

<Realizing a Decarbonized Society>

<https://www.lycorp.co.jp/en/sustainability/esg/environment/carbon/>

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

<https://www.lycorp.co.jp/en/sustainability/esg/environment/initiatives/>

[Supplementary Principle 4.1.1: Scope of the delegation of tasks to the management staff]

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

[Principle 4.9: Independence standards for independent outside directors]

The Company adheres to the independence criteria set by Tokyo Stock Exchange, Inc.

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

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

The Nominating and Remuneration Committee consists of five members, and is chaired by Yoshio Usumi, an

independent outside director serving as a full-time Audit and Supervisory Committee member. The other members are Maiko Hasumi, Tadashi Kunihiro, and Yuko Takahashi, who are independent outside directors serving on the Audit and Supervisory Committee; and Takeshi Idezawa, President and Representative Director, CEO. The independence of the Nominating and Remuneration Committee is ensured by the fact that the majority of the members are independent outside directors. In addition, the decision-making process is also designed to ensure independence, as decisions are made by a majority of the attending Committee members, provided that a majority of members who are eligible to vote are in attendance at the time of voting and so forth.

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

[Supplementary Principle 4.11.1: View on the appropriate balance between knowledge, experience skills, diversity and size of the Board as a whole]

The Company takes the following into consideration regarding the composition and scale of its Board of Directors. Paying heed to ensuring diversity in terms of gender, age, internationality, and so forth, the Board of Directors of the Company is constituted by not only directors with deep knowledge and diverse experience in the field of the internet service business; but also by individuals with experience of management from other industries and those with extensive, specialized knowledge in fields such as corporate planning, finance, accounting, investment, and law.

Four non-executive directors

Two with experience of management from industries outside of internet service

Four seasoned specialists in corporate planning, finance, accounting, investment, law, etc.

Two females

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

<Directors' skills matrix>

<https://www.lycorp.co.jp/en/sustainability/esg/governance/corporate-governance/#anc13>

[Supplementary Principle 4.11.2: Directors who hold concurrent posts in other listed companies]

■ Major titles in other companies

- Maiko Hasumi: CyberBuzz, Inc., Outside Board Member; Neural Group Inc., Outside Director
- Yuko Takahashi: Hulic Co., Ltd., External Director; Microwave Chemical Co., Ltd., External Director (Audit & Supervisory Committee Member)

[Supplementary Principle 4.11.3: Analysis and evaluation of the effectiveness of the Board of Directors as a whole]

The Company conducted an evaluation of the effectiveness of the Board of Directors with the aim of further improving the governance of the Company and the Group. A summary of the evaluation results for FY2024 is as follows.

■ Summary of evaluation results

As a result of the evaluation, it has been concluded that the Company's Board of Directors, as a whole, maintains sufficient effectiveness.

<Key points>

- From June 2024, the Company's Board of Directors comprises six directors with a majority of four outside directors, facilitating the separation of management from business operations. Further diversification of expertise among directors has enhanced the quality of Board discussions.
- Through discussions at the Board of Directors meetings, the outside directors have actively influenced and provided recommendations on specific negotiation policies of the business executive side, effectively demonstrating the Board's supervisory function.
- The progress of key issues is regularly reported to and examined at the Board of Directors meetings. Information on key strategic matters is shared with and discussed by the Board from their early stages, not just when decisions are made. This has led to deeper deliberations, with enhancements to meeting materials, including preliminary explanations and provision of background information, facilitating more thorough discussions.

Please refer to the Company's corporate website for more details.

<https://www.lycorp.co.jp/en/sustainability/esg/governance/corporate-governance/#anc4>

[Supplementary Principle 4.14.2: Training policy for directors]

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

[Principle 5.1: Policies for constructive dialogue with shareholders]

The Company discloses information to capital market participants (shareholders, investors, analysts, etc.) and all other stakeholders in a timely, accurate, and fair manner in accordance with the Financial Instruments and Exchange Act and the rules set forth by Tokyo Stock Exchange, Inc. The Company has adopted the following policies in order to engage in constructive dialogue with its shareholders:

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

The President and Representative Director supervises the dialogue with shareholders, and the Chief Financial Officer (CFO) is placed in charge of the disclosure of information. IR Department, which specializes in investor relations, is established, and the Department shares and discusses the status of dialogue with shareholders regarding the Company's growth strategy and management information with the President and Representative Director, CFO, corporate officers in charge of major businesses, and others.

(ii) Measures to ensure positive cooperation between internal divisions such as investor relations, business management, corporate finance, accounting, and legal/governance with the aim of supporting dialogue

IR Department coordinates not only with the business management, financial affairs, accounting, and legal/governance divisions, but also with divisions in charge of businesses, risk management, security, human resources, and ESG, to create documents suitable for disclosure and help realize constructive dialogue with shareholders, investors, analysts, and so forth. In addition, to deepen understanding on the viewpoints of capital markets within the Company, the IR Department takes the lead in strengthening internal and intra-Group cooperation by compiling and regularly sharing opinions and proposals from shareholders and investors with relevant internal divisions and Group companies, etc., as well as promoting attendance at meetings with shareholders and investors.

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

The Company holds earnings results briefings in which the results are explained by the President and Representative Director, CFO, and others. Leveraging live streaming, on-demand videos and teleconference systems, etc., the Company proactively shares the content of the earnings results briefings. In addition, archives of the meetings are available on the Company's website so that investors and analysts in Japan and overseas who are unable to attend in real time can review the content of the financial results announcements. Individual interviews and group meetings are also held for the research analysts of securities companies and institutional investors, in which the President and Representative Director or the management speak proactively about the growth strategies and share operational information about the Group. For IR activities targeting foreign investors, the Company creates the majority of the disclosure publications in English. In addition, the Company visits its overseas investors through "Overseas Roadshows" in North America and Australia, in which it gains the opportunity to directly engage in dialogues with its foreign investors. In recent years, the Company also provides opportunities for ongoing dialogue with a wide variety of foreign investors through videoconferencing and other means. In regard to IR publications, since immediately after the Company's initial public offering in 1997, the Company has continued to publish a detailed overview of its financial and business operations as a quarterly financial report to ensure timely disclosure. In addition, along with these reports, the Company summarizes and discloses information on potential risks to the Company. Current publications, as well as an archive of all past ones, are published on the Company website.

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

The IR Department compiles the opinions and proposals of shareholders and investors, the status of shareholdings, analyst reports, stock market, stock price trends and capital policies of the Company and its competitors, and other information obtained through dialogue with shareholders and investors into reports, and reports them regularly to directors including independent outside directors, CFO, corporate officers in charge of major businesses, and relevant internal departments at meetings such as the Board of Directors, the Top Management Committee, and the Audit and Supervisory Committee. In addition, depending on the content of the report, the IR Department uses e-mail and internal communication tools to immediately share and disseminate information, thereby strengthening the activities to provide feedback of capital market opinions within the Company and the Group.

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

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

Action to implement management that is conscious of cost of capital and stock price

Content of Disclosure	Disclosure of Initiatives (Update)
Availability of English Disclosure	Available
Date of Disclosure Update[Updated]	Aug 7, 2025

Explanation for Applicable Items[Updated]

The Company’s actions to implement management that is conscious of cost of capital and stock price are announced as follows:

- FY2023 Q2 Financial Results (pages 40-41): Overall policy
https://www.lycorp.co.jp/en/ir/library/presentations/main/014/teaserItems2/00/linkList/04/link/en2023q2_presentation.pdf
- FY2024 Q2 Financial Results Appendix (page 11): Updated the cost of equity and target figure for adjusted EPS
https://www.lycorp.co.jp/en/ir/library/presentations/main/016/teaserItems2/00/linkList/05/link/en2024q2_presentation_app.pdf
- FY2025 Q1 Financial Results (page 10): Updated the capital allocation policy and the cost of equity
https://www.lycorp.co.jp/en/ir/library/presentations/main/015/teaserItems2/0/linkList/04/link/en2025q1_presentation.pdf

2. Capital Structure

Foreign Shareholding Ratio	20% or more and less than 30%
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Status of Major Shareholders

Name or Company Name	Number of Shares Owned	Percentage (%)
A Holdings Corporation	4,467,326,675	62.44
The Master Trust Bank of Japan, Ltd. (Trust Account)	508,913,300	7.11
STATE STREET BANK AND TRUST COMPANY 505325	235,044,681	3.29
Custody Bank of Japan, Ltd. (Trust account)	208,661,700	2.92
STATE STREET BANK AND TRUST COMPANY 505001	97,103,019	1.36
STATE STREET BANK WEST CLIENT-TREATY 505234	56,668,849	0.79
STATE STREET BANK AND TRUST COMPANY 505223	48,958,854	0.68
STATE STREET BANK AND TRUST COMPANY 505103	40,108,252	0.56
JP MORGAN CHASE BANK 385781	35,824,487	0.50
NORTHERN TRUST CO.(AVFC) RE NON TREATY CLIENTS ACCOUNT	34,764,681	0.49

Name of Controlling Shareholder, if applicable (excluding Parent Company)	—
Name of Parent Company, if applicable	SoftBank Corp. (Listed Stock Exchange: Tokyo (Code: 9434))

Supplementary Explanation

- Status of major shareholders is as of March 31, 2025. In addition to the above, the Company has treasury stock of 607,074 shares as of March 31, 2025. Please note that the treasury stock does not include the Company's shares (28,167,999 shares) held by the Stock Delivery Trust (J-ESOP), RSU Plan (Board Incentive Plan Trust), and Stock Delivery ESOP Trust.
- A Holdings Corporation, the largest shareholder, is a subsidiary of SoftBank Corp., and SoftBank Corp. is the parent company, etc. that has the greatest influence on the Company.

3. Corporate Attributes

Listed Stock Exchange and Market Segment	Tokyo Stock Exchange Prime Market
Fiscal Year-End	March
Business Sector	Information & Communication
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) as of the End of the Previous Fiscal Year	JPY1 trillion or more
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	100 or more and fewer than 300

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

The Company's Board of Directors is composed of six directors, four of whom are independent outside directors, ensuring independence. In addition, as an advisory body to the Board of Directors, the Company establishes a Governance Committee composed of said four independent outside directors. The aforementioned Committee conducts deliberations on Related Party Transactions from the perspectives of fairness, economic rationality, and legality.

Furthermore, the division responsible for governance conducts a review of Related Party Transactions that do not require deliberation by the Governance Committee. For transactions meeting specific criteria, the independent outside director serving as a full-time Audit and Supervisory Committee member is authorized by the Governance Committee to conduct a prior review from the same perspectives as the Governance Committee.

5. Other Special Circumstances Which May Have Material Impact on Corporate Governance

(1) Basic view and policy underlying group management

With its numerous publicly listed subsidiaries and affiliates, the Company operates a wide range of businesses to realize its mission statement "Create an amazing life platform that brings WOW! to our users."

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

(2) Measures to ensure effective governance structure for listed Group companies

The Company recognizes that it is important for its listed subsidiaries and affiliates to enhance their value in the medium and long term and thereby maximize the joint interest of all shareholders, including minority shareholders and the Company. In this light, the Company exercises its voting rights for proposals of its listed subsidiaries and affiliates.

In addition, for the purpose of managing the companies to which the Company invests, the Company has set

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

Furthermore, the Company's outside directors regularly meet with the outside directors, etc. of individual listed subsidiaries to confirm that the Company is not unfairly restraining the decision-making of each company.

(3) Significance of having listed Group companies

The Top Management Committee discusses capital policies for listed Group companies based on the strategic position of each company within the Group and taking into consideration the significance of being listed i.e., that it would lead to greater business growth and enhanced value of each company, and would consequently better contribute to the Group's overall value, if the companies operated under constant scrutiny of the stock market, while maintaining good relationships with their customers, business partners, employees, and other stakeholders, and pursue their autonomous business management that respects the interest of their minority shareholders. The discussions are reported to the Board of Directors, which determines the ownership policy of each listed Group company based on these discussions. The significance of having listed Group companies is as stated below.

Listed subsidiaries

■ ASKUL Corporation and AlphaPurchase Co., Ltd.

ASKUL Corporation is the Company's consolidated subsidiary listed on the Tokyo Stock Exchange (Prime Market). Its main business includes e-commerce business operating BtoB e-commerce websites, ASKUL and SOLOEL ARENA and BtoC e-commerce website, LOHACO, as well as logistics business. Utilizing its strengths of having a diverse product lineup such as office supplies and a unique logistics know-how and network, ASKUL continues to grow mainly through its BtoB e-commerce business, which is its core business, and also develops BtoC e-commerce services in cooperation with the Company and the Group. As a subsidiary, it plays a key role in driving the growth of the Group's commerce business and the diversity of its services, as well as in creating synergies within the Group. While maintaining independence and autonomy as a listed subsidiary, the Company believes that ASKUL's growth and continued pursuit of Group synergies will contribute to the enhancement of the corporate value of the company and the Group as a whole. AlphaPurchase Co., Ltd. is a consolidated subsidiary of ASKUL and the Company indirectly holds the shares of AlphaPurchase Co., Ltd. through ASKUL. For more information on AlphaPurchase Co., Ltd., please refer to the Corporate Governance Report of ASKUL.

History

November 2000

Listed on JASDAQ

April 2004	Listed on First Section of Tokyo Stock Exchange (Transferred to the Prime Market in April 2022)
May 2012	Became an affiliated company of the Company (then Yahoo Japan Corporation) based on a business and capital alliance agreement for the purpose of launching a BtoC e-commerce business through collaboration between the two companies, and through a third-party allotment to Yahoo Japan Corporation.
August 2015	Became a consolidated subsidiary of the Company (then Yahoo Japan Corporation) as a result of an increase in the ratio of voting rights held by Yahoo Japan Corporation through ASKUL's acquisition of its own shares.

■ ZOZO, Inc.

ZOZO, Inc. is a consolidated subsidiary of the Company listed on the Prime Market of Tokyo Stock Exchange. The main business of the company is the operation of a fashion e-commerce website, ZOZOTOWN, and fashion media “WEAR” and others. ZOZO is a technology company in the fashion domain that develops a fashion coordination app, WEAR, and a website that handles brand-named used clothing, ZOZUSED, in addition to its core business of fashion mail order website ZOZOTOWN. In addition to driving growth in the domestic market as a leading company in this field, ZOZO also plays an important role in creating Group synergies in the commerce field by leveraging its advanced business know-how in the fashion field, such as opening ZOZOTOWN store on Yahoo! JAPAN Shopping. The Company believes that continuing to pursue ZOZO's growth and Group synergies while maintaining its independence and autonomy as a listed subsidiary will contribute to the enhancement of the corporate value of ZOZO and the Group as a whole.

History

December 2007	Listed on Tokyo Stock Exchange (Mothers) (Transferred to the Prime Market in April 2022)
November 2019	Became a consolidated subsidiary of the Company (then Z Holdings Corporation) as a result of a tender offer by Z Holdings Corporation as well as the conclusion of a capital and business alliance agreement for the purpose of strengthening the e-commerce business and generation of synergies.

■ dely inc. (“Dely”)

Dely is a consolidated subsidiary of the Company listed on the Tokyo Stock Exchange (Growth Market). Its main business activities include the operation of the recipe video platform “kurashiru” and the lifestyle media “TRILL.” Dely plays an important role in the growth of the Group and creation of Group synergies, mainly in the Media Business, through the enhancement of digital promotions that mainly utilize the user base cultivated by “kurashiru.” The Company believes that continuing to pursue Dely's growth and Group synergies while maintaining Dely's independence and autonomy as a listed subsidiary will contribute to the enhancement of the corporate value of Dely and the Group as a whole.

History

July 2018	Became a consolidated subsidiary of the Company (then Yahoo Japan Corporation) through the acquisition of shares from existing shareholders.
December 2024	Listed on the Tokyo Stock Exchange (Growth Market).

Listed affiliates

■ ValueCommerce Co., Ltd.

ValueCommerce Co., Ltd. is the Company's equity-method affiliate listed on the Tokyo Stock Exchange (Prime Market). It is engaged mainly in the marketing solutions business (affiliate marketing) and e-commerce solutions business (Storematch, STORE's R[∞], B-Space), travel tech business, and others. The Company will continue to work to maximize the corporate value of both companies while maintaining ValueCommerce's sustained independence and autonomy as a listed affiliate.

History

April 2005	Became an affiliate of the Company (then Yahoo Japan Corporation) as a result of a tender offer by Yahoo Japan Corporation and through a capital and business alliance for the purpose of generating business synergies between the two companies.
July 2006	Listed on Tokyo Stock Exchange (Mothers). (Transferred to the Prime Market in April 2022)
October 2012	Became a consolidated subsidiary of the Company (then Yahoo Japan Corporation) as a result of the increase in the percentage of voting rights held by the Company through the acquisition of treasury stock of ValueCommerce Co., Ltd.
May 2024	Became an equity-method affiliate of the Company as a result of the acquisition of treasury stock of ValueCommerce Co., Ltd.

■ Demae-can Co., Ltd.

Demae-can Co., Ltd. is the Company's equity-method affiliate listed on the Tokyo Stock Exchange (Standard Market). Its main business is the operation, etc. of a delivery website "Demae-can." As a listed affiliate, the Company will continue to work toward maximizing the corporate value of both companies while maintaining the independence and autonomy of the company.

History

June 2006	Listed on Osaka Stock Exchange (Hercules Market)
October 2010	Changed market to Tokyo Stock Exchange (JASDAQ). (Transferred to the Standard Market in April 2022)

October 2016	Became an affiliate of the Group (then LINE Corporation) through a capital and business alliance for the purpose of strengthening tie-ups. Thereafter, increased the Group's ownership through third-party allotments in 2020 and 2021.
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(4) Ensuring independence from the parent company, etc.

(i) Parent company's approach and policies regarding group management

Please refer to the Corporate Governance Report of SoftBank Corp. for SoftBank Corp.'s approach and policies on group management.

(ii) Approach and measures to ensure independence from the parent company that are necessary to protect minority shareholders

There are no directors of the Company who concurrently serve as directors of the parent company, and there are no directors invited from the parent company who concurrently serve as directors or employees of the parent company. Also, the Company relies very little on its parent company or other members of its company group for its business transactions. Most of its partners in its transactions are consumers or corporations with no investment relationship with the Company. Furthermore, the Company has enacted "Regulations for Appropriate Business Transactions and Practices by LY Corporation, its Parent Company, Subsidiaries, and Affiliates." In these regulations, the Company has intentionally and expressly stipulated the prohibition of: transactions with the parent company which are clearly advantageous or disadvantageous compared to transactions with third parties or to comparable transactions; and transactions for the purpose of shifting profits, losses, or risks. The Company 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 rights. In addition, the Company endeavors to make an accurate judgment when determining whether a person falls under a person having a special interest by seeking advice of external experts as necessary.

The Company's Board of Directors is composed of six directors, four of whom are independent outside directors, ensuring independence. In addition, as an advisory body to the Board of Directors, the Company establishes a Governance Committee composed of said four independent outside directors. The aforementioned Committee conducts deliberations on Related Party Transactions, monitoring decision-making as they are carried out, from the perspectives of fairness, economic rationality, and legality. Furthermore, the division responsible for governance conducts a review of Related Party Transactions that do not require deliberation by the Governance Committee. For transactions meeting specific criteria, the independent outside director serving as a full-time Audit and Supervisory Committee member is authorized by the Governance Committee to conduct a prior review from the same perspectives as the Governance Committee.

(iii) Agreement related to parent company's approach and policies regarding group management

The Company entered into a capital alliance agreement with A Holdings Corporation on December 23, 2019, primarily to create synergies through business integration across the Company's various business

domains. Subsequently, due to changes in the composition of the Board of Directors, a memorandum of amendment was executed on May 16, 2025. As this agreement and the memorandum of amendment are contracts with the Company's parent company, careful deliberations were conducted by the Governance Committee, which serves as an advisory body to the Board of Directors and is composed of independent outside directors, to ensure that the interests of all shareholders, including minority shareholders, are not harmed. The agreement was concluded following deliberation and resolution by the Board of Directors. For an overview of the agreement, please refer to the Company's securities report.

<Securities Report>

<https://data.swcms.net/file/ly-ir/dam/jcr:18ef59f4-4aae-4b7d-8ae0-3bf38749af45/S100VYGU.pdf>

(Japanese only)

II. Business Management Organization and Other Corporate Governance Systems Regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Corporate Governance System	Company with an Audit and Supervisory Committee
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Directors

Number of Directors Stipulated in Articles of Incorporation	10
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	6
Election of Outside Directors	Elected
Number of Outside Directors	4
Number of Independent Directors	4

Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Yoshio Usumi	From another company								△			
Maiko Hasumi	From another company											
Tadashi Kunihiro	From another company											
Yuko Takahashi	From another company								△			

*Categories for "Relationship with the Company".

(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

- Person who executes business for the Company or a subsidiary
- Person who executes business for a non-executive director of a parent company
- Person who executes business for a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for such person/entity
- Major client of the Company or a person who executes business for such client
- Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets in addition to director/Audit and Supervisory Board Member compensation from the Company
- Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation)
- Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to self only)
- Person who executes business for another company holding cross-directorships/cross-auditorships with the Company (applies to self only)
- Person who executes business for an entity receiving contributions from the Company (applies to self only)
- Other

Outside Directors' Relationship with the Company (2)

Name	Membership of Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Applicable Relationship	Reasons for Appointment
Yoshio Usumi	○	○	-	Please refer to the Notice of the General Meeting of the Shareholders for the reasons of director nomination.
Maiko Hasumi	○	○	-	As above
Tadashi Kunihiro	○	○	-	As above
Yuko Takahashi	○	○	-	As above

Supervisory Committee

Composition of Supervisory Committee and Attributes of the Chairperson

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

Appointment of Directors and/or Staff to Support the Supervisory Committee	Appointed
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Matters Concerning Independence of Said Directors and/or Employees from Executive Officers

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

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

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

Voluntarily Established Committee(s)

Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee	Established
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Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chair (Chairperson)

	Committee's Name	All Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	Nominating and Remuneration Committee	5	2	1	4	0	0	Outside Director
Voluntarily Established Committee Equivalent to Remuneration Committee	Nominating and Remuneration Committee	5	2	1	4	0	0	Outside Director

Supplementary Explanation

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

The Nominating and Remuneration Committee consists of five members, and is chaired by Yoshio Usumi, independent outside director serving as a full-time Audit and Supervisory Committee member. The other members are Maiko Hasumi, Tadashi Kunihiro, and Yuko Takahashi, who are independent outside directors serving on the Audit and Supervisory Committee; and Takeshi Idezawa, President and Representative Director, CEO. The independence of the Committee is ensured by the fact that a majority of its members are independent outside directors. In addition, decisions are made by a majority of the attending Committee members, provided that a majority of such members who are eligible to vote are in attendance at the time of voting and so

forth, ensuring independence also in the decision-making process.

More specifically, based on the Regulation for the Nominating and Remuneration Committee determined by the Board of Directors, the Nominating and Remuneration Committee makes proposals, etc. to the Board of Directors on all matters related to the agenda of the shareholders meeting on the election and dismissal of the representative director and directors. The Committee will also consider establishing and implementing the succession plan of the representative director and other matters. Furthermore, based on the Regulations of Remunerations for Directors established by the Board of Directors, the Committee determines the amount of remunerations, etc. of the directors (excluding those serving on the Audit and Supervisory Committee) after careful deliberation, taking into consideration the business performance in each quarter, contributions to the business performance, and other factors. With respect to stock-based remuneration, proposals, etc., are made to the Board of Directors, based on the Committee's resolutions.

Matters Concerning Independent Directors

Number of Independent Directors	4
Other Matters Concerning Independent Directors	

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

Incentives

Implementation Status of Measures related to Incentives Granted to Directors	Introduction of Performance-linked Remuneration Scheme/Introduction of Stock Options Scheme
Supplementary Explanation for Applicable Items	

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

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

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

Persons Eligible for Stock Options	Inside Directors, Employees, Directors of Subsidiaries, and Employees of Subsidiaries
Supplementary Explanation for Applicable Items	

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

Director Remuneration

Status of Disclosure of Individual Directors' Remuneration	Individual Disclosure for All Directors
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Supplementary Explanation for Applicable Items

Please refer to the Company's website on corporate governance for details on fiscal 2024 executive remunerations for the directors of the Company.

<Corporate Governance>

<https://www.lycorp.co.jp/en/sustainability/esg/governance/corporate-governance/#anc9>

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

The Company has positioned executive remuneration as one of the key management strategies to encourage the top management team to exercise their leadership. The Remuneration Policy was established to encourage bold risk-taking by the top management team through executive remuneration and to enable the Company to achieve sustainable growth.

The establishment of the Remuneration Policy has been deliberated by the Nominating and Remuneration Committee.

< Remuneration Policy >

<https://www.lycorp.co.jp/en/sustainability/esg/governance/corporate-governance/#anc8>

Support System for Outside Directors

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

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

Corporate Governance System

(1) Board of Directors

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

The composition of the Board of Directors, chaired by the President and Representative Director, is presented

below.

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

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

<Titles/names>

Chairperson and Representative Director: Kentaro Kawabe

President and Representative Director, CEO (Chief Executive Officer): Takeshi Idezawa

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

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

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

Outside Director (Independent Director), Audit and Supervisory Committee Member: Yuko Takahashi

(2) Audit and Supervisory Committee

The Audit and Supervisory Committee is responsible for auditing and supervising the entirety of the Company's business activities, including the appropriateness of policy, planning, and procedures; effective business implementation; and compliance to laws and regulations through the perusal of important final decision documents, etc., the inspection of subsidiary companies, and so on. Furthermore, the Audit and Supervisory Committee receives reports on the auditing methods and results from the account auditors and internal audit methods and results from the division in charge of internal audit. Based on these activities, the Audit and Supervisory Committee regularly presents its opinions as an Audit and Supervisory Committee to the directors who are not Audit and Supervisory Committee members.

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

The Company's nomination criteria for outside directors are that they must be able to fulfill their social responsibilities in accordance with the LY Corporation Group Code of Conduct, and that they must have sufficient social credibility. In addition, the independent standards set by Tokyo Stock Exchange, Inc. are used as the Company's independence standards.

Persons with specialist knowledge, experience, and skills in areas such as corporate management, financial affairs, accounting, financing, and governance are chosen as Audit and Supervisory Committee members, and each of them conducts effective audits and supervision by utilizing their abundant work experience and highly professional perspectives.

(3) Nominating and Remuneration Committee

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

The Nominating and Remuneration Committee consists of five members, and is chaired by Yoshio Usumi, who is an independent outside director and a full-time member of the Audit and Supervisory Committee. The Nominating and Remuneration Committee also consists of: Maiko Hasumi, Tadashi Kunihiro, and Yuko Takahashi, who are independent outside directors serving on the Audit and Supervisory Committee; and Takeshi Idezawa, President and Representative Director, CEO. The independence of the Committee is ensured by the fact that a majority of its members are independent outside directors. In addition, decisions are made by a majority of the attending Committee members, provided that a majority of such members who are eligible to vote are in attendance at the time of voting and so forth, also ensuring independence in the decision-making process.

More specifically, based on the Regulation for the Nominating and Remuneration Committee determined by the Board of Directors, the Nominating and Remuneration Committee makes proposals, etc. to the Board of Directors on all matters related to the agenda of the shareholders meeting on the election and dismissal of the representative director and directors. The Committee will also consider establishing and implementing the succession plan of the representative director and other matters. Furthermore, based on the Regulations of Remunerations for Directors established by the Board of Directors, the Committee determines the amount of remunerations, etc. of the directors (excluding those serving on the Audit and Supervisory Committee) after careful deliberation, taking into consideration the business performance in each quarter, contributions to the business performance, and other factors. With respect to stock-based remuneration, proposals, etc., are made to the Board of Directors, based on the Committee's resolutions.

(4) Governance Committee

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

For Related Party Transactions that require deliberation by the Board of Directors, the Governance Committee deliberates from the perspective of fairness, economic rationality, and legality, prior to the submission of proposals to the Board of Directors. In addition, for Related Party Transactions that exceed a certain amount, even if they do not require deliberation by the Board of Directors, the Governance Committee conducts a preliminary review based on the same perspective. Furthermore, by discussing important matters related to corporate governance, the supervisory function of the Board of Directors is strengthened to further improve corporate governance and protect the Company's minority shareholders.

3. Reasons for Adoption of Current Corporate Governance System

The Company 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, the Company has adopted a system in which it has an Audit and Supervisory Committee and established the Nominating and Remuneration Committee and Governance Committee as voluntary committees, in order to establish both: a structure that encourages “aggressive governance” so that timely business decisions can be made in the internet industry; and a structure that promotes the aim of the corporate governance code, namely “transparent, fair, timely, and decisive decision making”. In addition, as of June 18, 2024, the Company has changed the composition of its Board of Directors to six directors (out of which four are independent outside directors, accounting for the majority) to separate management and business operations and further reinforce corporate governance.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Facilitate Exercise of Voting Rights

	Supplementary Explanation
Scheduling of the General Shareholders Meeting During Non-Peak Days	Since its foundation, the Company has consistently avoided scheduling its General Meeting of the Shareholders on the days on which those of other companies are frequently held, in order to facilitate the attendance of shareholders.
Electronic Exercise of Voting Rights	In order to allow more shareholders to exercise the right to vote, votes may be cast over the internet.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	For increased convenience for institutional investors, the Company participates in Electronic Voting Platform for institutional investors.
Provision of Notice (or Summary of Notice) of the General Shareholders Meeting in English	For foreign investors, summarized convocation notices and shareholder meeting reference materials are provided in English as well as Japanese, and published on the Company website.
Other	To hold constructive dialogues with shareholders and investors, the Company holds the General Meeting of the Shareholders at the meeting venue as well as via the internet for shareholders who are unable to attend the General Meeting of the Shareholders on the day of the meeting or those who live far from the venue. The General Meeting of the Shareholders is also broadcast live on the internet and archived videos are available at a

	later date not only for shareholders, but also for all investors, whether individual or institutional, who are considering investing in the Company, so that they can watch the meeting without having to log in.
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2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Regular Investor Briefings held for Individual Investors	Detailed explanations using slides and other means, on recent management conditions, as well as mid- to long-term growth strategies are provided at the Ordinary General Meeting of the Shareholders with the goal of helping individual investors deepen their understanding of the Company's operations. Furthermore, for investors who are not able to attend these meetings on the day, the presentations are streamed live and archived as video files for viewing on a later date.	Held
Regular Investor Briefings held for Analysts and Institutional Investors	The Company holds earnings results briefings in which the results are explained by the President and Representative Director, CFO, and others. Leveraging live streaming, on-demand videos and teleconference systems, etc., the Company proactively shares the content of the earnings results briefings. Individual interviews and group meetings are also held for the research analysts of securities companies and institutional investors, in which the President and Representative Director or the management explain proactively about the growth strategies and share operational information about the Group.	Held

Regular Investor Briefings held for Overseas Investors	The Company visited its overseas investors, hosting “Overseas Roadshows” in North America and Australia in which it gains the opportunity to directly engage in dialogues with its foreign investors. In recent years, the Company provides opportunities for ongoing dialogue with a wide variety of foreign investors through videoconferencing and other means.	Held
Online Disclosure of IR Information	In regard to IR publications, since immediately after the Company’s initial public offering in 1997, the Company has continued to publish a detailed overview of its financial and business operations as a quarterly financial report to ensure timely disclosure. In addition, along with these reports, the Company summarizes and discloses information on potential risks to the Company. Current publications, as well as an archive of all past ones, are published on the Company website.	
Establishment of Department and/or Placement of a Manager in Charge of IR	The Company has appointed a CFO (Chief Financial Officer) responsible for the disclosure of information, and has established an IR Department as a dedicated department for communicating with analysts and institutional investors.	

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	The Company has established the “LY Corporation Group Code of Conduct” as a set of behavioral standards that its officers and employees must adhere to. With this in place, the Company is committed to respecting the positions of its stakeholders, fulfilling its corporate responsibilities to society, and improving corporate value. Details of the Company's specific initiatives are available on the corporate website.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	To promote initiatives addressing various sustainability issues across the Group companies, the Company has established an operational framework centered around the Sustainability Committee under the supervision of the Board of

Directors, as outlined below. The Sustainability Committee includes two groups: the Environment Working Group and the Human Rights Working Group, each responsible for examining and promoting measures to address specific issues. Additionally, the Risk Management Committee, which oversees ERM, and the Supervisory Organization of Risk Management collaborate with sustainability-related organizations to identify, assess, and mitigate sustainability-related risks.

Regarding the supervisory structure, the Board of Directors receives proposals and reports on important matters from the Sustainability Committee as needed, and also receives reports on company-wide risks, including sustainability-related risks, from the Risk Management Committee once every six months in principle. The Board of Directors oversees sustainability-related risks and their management through deliberation and resolution of the important matters brought up for discussion. Matters proposed or reported by the Sustainability Committee to the Board of Directors include the policy for reviewing material issues in response to changes in the social and business environment, as well as policies related to human capital.

In addition, in order to ensure that the directors are committed to promoting sustainability, the Company has incorporated sustainability evaluation as an indicator for determining cash bonuses for their executive remuneration within the range of $\pm 5\%$. The sustainability evaluation consists of the previous fiscal year's results of each materiality indicator, including progress of achieving carbon neutrality, diversity indicators, and data governance, which were established to realize the Company's mission and medium- to long-term corporate value enhancement, as well as an external assessment by ESG rating agencies. The sustainability evaluation indicator ($\pm 5\%$) is resolved by the Nominating and Remuneration Committee, of which the majority is composed of independent outside directors.

For more details about each committee, please visit the Company's sustainability website.

<https://www.lycorp.co.jp/en/sustainability/management/>

Please refer to the following link for details on the remuneration policy.

■ Corporate governance

<https://www.lycorp.co.jp/en/sustainability/esg/governance/corporate-governance/#anc8>

The Group strives to accurately understand the external environment surrounding the Group, and address the material issues that were identified as a result.

	■ Sustainability Management (Material Issues) https://www.lycorp.co.jp/en/sustainability/management/#anc3 ■ Respect of Human Rights https://www.lycorp.co.jp/en/company/humanrights/ ■ Caring for the health of the workforce and the working environment https://www.lycorp.co.jp/en/sustainability/esg/social/human-capital2/ ■ Fair and appropriate treatment https://www.lycorp.co.jp/en/sustainability/esg/social/human-capital1/ ■ Fair and reasonable transactions with suppliers https://www.lycorp.co.jp/en/sustainability/esg/governance/responsible-business/ ■ Basic Environmental Policy https://www.lycorp.co.jp/en/sustainability/esg/environment/policy/ ■ Crisis management for natural disasters https://www.lycorp.co.jp/en/sustainability/esg/governance/riskmanagement/ As of September 2024, the Company has received the highest rating of AAA in the MSCI ESG Rating for four consecutive years since 2021. For the fifth year in a row since 2020, the Company was selected as a component of the Dow Jones Best-in-Class World Index (formerly Dow Jones Sustainability World Index), one of the most prestigious global indices of ESG investment. The Company has also been selected as a constituent of all six indices adopted by Japan's Government Pension Investment Fund (GPIF), one of the world's largest pension funds, namely, FTSE Blossom Japan Index, FTSE Blossom Japan Sector Relative Index, MSCI Nihonkabu ESG Select Leaders Index, MSCI Empowering Women Index (WIN), S&P/JPX Carbon Efficient Index, and Morningstar® Japan ex-REIT Gender Diversity Tilt IndexSM (as of May 2025). In addition, the Company has been included for the first time in the Climate Change A List, a top rating, in the FY2024 survey by CDP. ■ Acknowledgement as a sustainable company https://www.lycorp.co.jp/en/sustainability/esg/recognition/ <Addressing climate change> Please see the section "(b) Tackling climate change" under [Supplementary Principle 3.1.3: Initiatives, etc. on sustainability] for more information.
Formulation of Policies, etc. on Provision of Information to Stakeholders	The Company 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	The Group believes that maintaining good physical and mental health of those working in the Group is directly linked to their optimal work performance, and that this leads to the happiness of its employees and their families. Guided by these beliefs, and based on the Good Condition Declaration proclaimed by the Company's President and Representative Director, the Company has established a division to support the employees' autonomous wellness management and promotes health and productivity management. Note: “Kenkoikei (KENKO Investment for Health)” is a registered trademark of the Nonprofit Organization Kenkoikei.
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IV. Matters Concerning the Internal Control System

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

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

Please refer to the Company's website on corporate governance for details.

< Basic Policy on Internal Control System >

<https://www.lycorp.co.jp/en/sustainability/esg/governance/corporate-governance/#anc10>

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

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

Based on this policy, separation from any involvement with anti-social forces and others is clearly stated in the LY Corporation Group Code of Conduct. In addition, the Basic Policy on Antisocial Forces and Regulations on the Elimination of Antisocial Forces are established, which clearly prohibit maintaining relationships with anti-social forces and supporting their activities, thereby ensuring the complete severance of ties with such entities. Moreover, in addition to preparing and disseminating manuals and circulars, as well as carrying out training programs regarding this policy, the Company also cooperates with external specialized organizations such as relevant police and government agencies and legal offices. The Group is a member of the National Center for Removal of Criminal Organizations, etc., and is engaged in collecting information about anti-social forces and the proper way to handle unreasonable demands, thereby strengthening its system for dealing with such scenarios.

V. Other

1. Adoption of Takeover Response Policies (or Anti-Takeover Measures)

Adoption of Takeover Response Policies (or Anti-Takeover Measures)	Not Adopted
Supplementary Explanation for Applicable Items	

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

2. Other Matters Concerning the Corporate Governance System

1. Attitude regarding the timely disclosure of information

The Company carries out timely disclosure of important company information in accordance with the timely disclosure rules of the Tokyo Stock Exchange, Inc., the Financial Instruments and Exchange Act and other relevant laws and statutes as well as its own "disclosure policy," which summarizes the Company's stance on the disclosure of information. According to this policy, the Company strives to provide accurate and impartial release

of company information once it has been thoroughly investigated and managed. In addition, since immediately after its initial public offering in 1997, the Company has continued to publish a detailed overview of its financial and business operations as a quarterly financial report to ensure timely disclosure. Furthermore, the Company proactively provides this information by publishing all current and past disclosed information and explanatory materials on the investor information page of the Company's website, along with English versions of these documents for easy perusal by anyone. The Company will also continue to consider the further enhancement of disclosures in English.

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

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

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

Furthermore, in collaboration with the finance division, public relations division, and IR division, the legal division, as the division in charge of information disclosure, 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 division

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

(4) IR division, public relations division

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

(5) Risk management division

Collection and compilation of information regarding new risks to the business of the 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

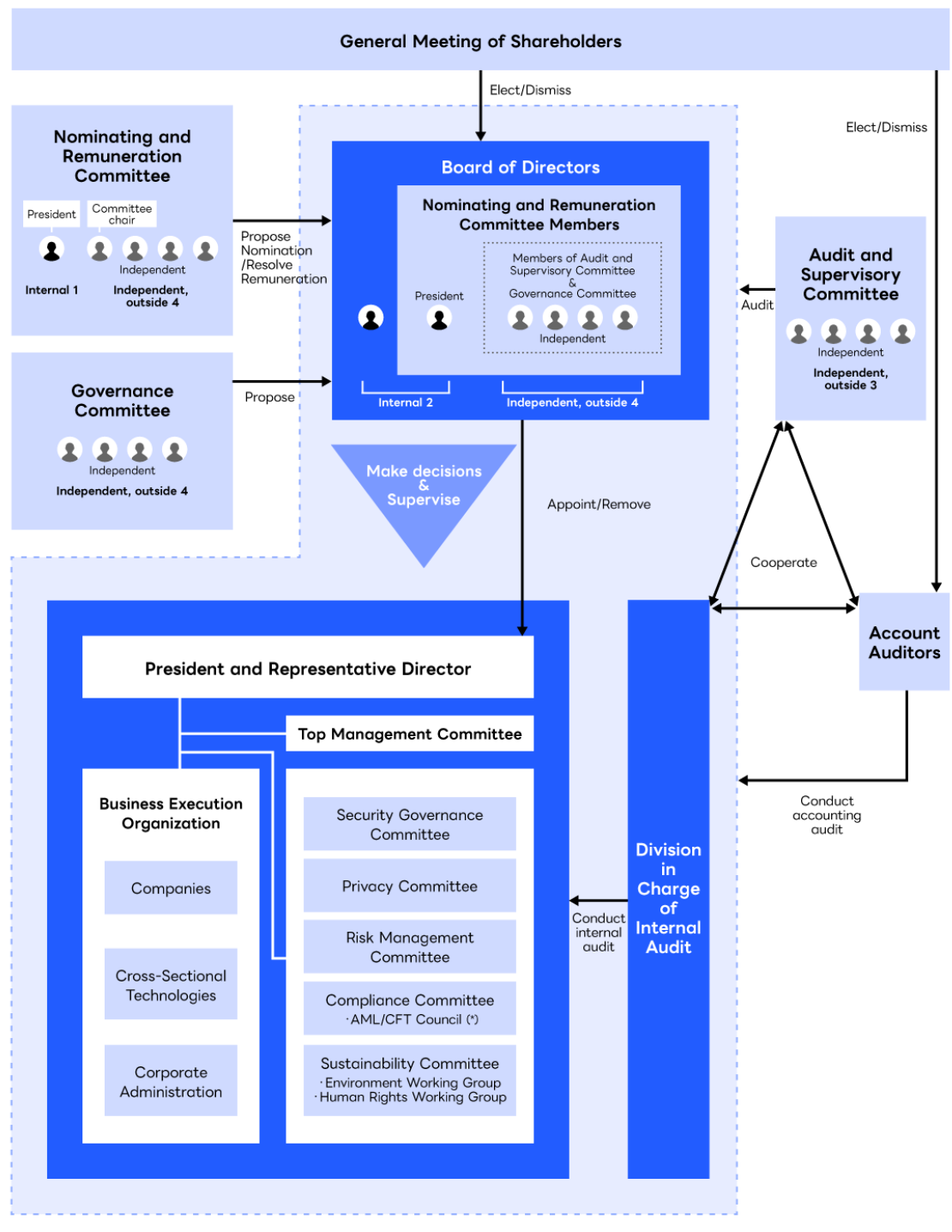
Every internal department is to consult with the legal/governance division, finance division, public relations division and IR division regarding relevant information in advance. The legal/governance division and finance division judge each case from a legal standpoint in light of laws such as Financial Instruments and Exchange Act, make judgment based on Cabinet Office Ordinance on Disclosure of Corporate Affairs, and 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, the legal division and finance division 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 division and the legal/governance division collect financial information on the business results of the Company and the companies in the Group, and create materials. The information, including the information related to business risks collected by the risk management division, 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.

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