

**Last Update: November 15, 2024**

LY Corporation  
Takeshi Idezawa  
President and Representative Director, CEO  
Contact: +81-3-6779-4900  
Securities code: 4689  
<https://www.lycorp.co.jp/>

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

The LY Corporation Group (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. (Please note that the former "Promise to Our Users (Charter of Corporate Behavior)" has been integrated to the "LY Corporation Group Code of Conduct".)

<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. In addition, since the Company is in a transitional period following reorganizations such as the merger, 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] **Updated**

### [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. When doing business with its directors or a company in which its director serves as a representative director, whereby there is a risk of a conflict of interest arising, the Company requires prior approval from the Board of Directors in accordance with the Companies Act and the Regulations of the Board of Directors Meetings. Furthermore, the current statuses of these transactions are reported to the Board of Directors once every three months. The Company's Board of Directors is composed of 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 deliberates on important matters related to the governance of the Group, etc., in order to strengthen the supervisory function over the Board of Directors, to further improve corporate governance, and to protect the Company's minority shareholders by monitoring decision-making when transactions are conducted with the Group companies, such as the parent companies.

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

While the Company aims to achieve product-driven excellence and promotes a product-driven growth strategy, having a competitive advantage in the internet business is essentially derived from the ability to create innovative services and products, which is underpinned by its employees. Therefore, establishing a cycle in which employees can work energetically and create outstanding products and services is one of the Company's top priorities. To create an environment where employees can maximize their performance and contribute to improving the organization's growth, the Company upholds the concept of "connecting people with business to maximize the performance of human capital and organizations" as the cornerstone of its human resources strategy. Specifically, its two main pillars are "reinforcing human capital" and "fostering a unique culture," aiming to promote employee growth and develop a unique culture of its own. 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 Company conducts internal DE&I education and awareness activities to promote a culture of understanding and respect for diversity among all employees. In addition, it conducts periodic surveys to determine employee awareness of ensuring diversity and improving DE&I and implements measures for improvement. For more details, please refer below.

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

■ Females in managerial positions

As of October 1, 2023, the ratio of females in managerial positions in the Company was 17%. The Company aims to increase this to the equivalent of the ratio of female employees out of the total workforce by 2030 (33% as of October 1, 2023).

■ Globally hired employees

The Company hires and trains employees regardless of race, nationality, and so on, and does not set individual targets for such attributes. Rather, by hiring and promoting talents based on their potential to contribute to the growth of the business, the Company will ensure diversity and realize its mission.

■ Midcareer hires

Based on a comprehensive judgment of the Company's activities, including a future-oriented business development, its business environment, and optimization of human capital portfolio, the Company hires and appoints not only new graduates but also talents who can immediately contribute to business growth by utilizing their experience, knowledge, and skills, in line with the Company's business needs.

Through these efforts, the Company strives to ensure diversity in the appointment of core human resources, and such diversity is contributing to its sustainable growth and promotion of innovation.

The Company's human resource strategy aims to increase management soundness and transparency, as well as enhance corporate value through the diversity of its employees.

For more information, please refer below.

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

[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

LY Corporation, the core company of the Group, made a fresh start as a new company in October 2023 after a reorganization centered around LINE Corporation and Yahoo Japan Corporation. Accordingly, the Group has renewed its mission and is now endeavoring 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 will adhere to a "users first" standpoint while endeavoring to improve services for sustainable growth. In addition, the Group aims to contribute to solving various problems of people and society, and to improve the corporate value of the Group.

(2) Management Performance Indicators Used for Goals

As its core management performance indicators, the 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 number of monthly logged-in user IDs, time spent by logged-in users, 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 LINE Official Accounts, 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 than this Group.

### (3) Medium- to Long-Term Business Strategies

#### (a) Business environment

Due to the recent development of information technology, the distinction between the online and offline worlds has been rapidly disappearing in various sectors of society. With the potential of the internet broadening dramatically, the value of big data is growing exponentially. There is also a demand for enterprises that use data to create services and businesses that balance economic development and the solving of social issues, as the Japanese government's "Society 5.0" strategy points out.

Furthermore, through the use of the internet, the Company has seen the birth of numerous innovative and highly convenient services around the world, such as cashless payment, IoT and big data, which are becoming the new standard of living. Moreover, the evolution and spread of generative AI (artificial intelligence) has resulted in fiercer developmental competition around the world, with digital transformation (DX) also expected to continue speeding up.

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 JPY7.3167 trillion for 2023 (YoY +3.0%). This figure was the highest since the company began its estimates in 1947. Out of the total advertising expenditures, internet advertising spending recorded JPY 3.3330 trillion (YoY +7.8%), 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 JPY2.6870 trillion (YoY +8.3%), due to the growths of paid search advertising and video advertising. By type, paid search advertising and display advertising accounted for approximately 70% of the total, while video advertising grew 15.9% from the year before, accounting for more than 20% 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 JPY22.7 trillion (YoY +9.9%) in 2022, and the e-commerce ratio in the merchandising sector is 9.13%. The social impact stemming from the spread of COVID-19 from 2020 has shown signs of settling down as consumers returned to brick-and-mortar stores in 2022 but the merchandising e-commerce market continued to expand in 2023. On the other hand, the decline in demand due to rising sale prices, etc., particularly for durable consumer goods, has slowed down the growth rate of the merchandising e-commerce market. This has resulted in the lowest growth rate since 2014, when comparisons were first possible.

The Strategic Business offers various services, mainly around fintech. According to METI, Japan's cashless payment ratio in 2023 is steadily increasing to 39.3% (up 3.3 points YoY), but the level remains low compared to other countries in the world. METI aims to hike the ratio of cashless payment to around 40% by 2025, and further to 80% in the future, the highest level in the world. Therefore, 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. As a Group that has one of the largest data assets in Japan, both in volume and in variety, it will maximize the capacity of its data and will aim to become an enterprise that enhances the value of the whole society.

#### Basic Policy of Major Business Segments

##### Media Business

The Media Business provides various media services that are indispensable to the daily lives of users. These services are used by many, and the major source of revenue for the Media Business is advertising. Based on the user-first principle, the Group constantly endeavors to provide needed services at the right time to the users. The Group believes that enhancing its credibility as a media platform will lead to an increase in the number of users, and to an increase in advertising revenue over the medium- to long-term.

By utilizing the Group's technologies and assets, the Group will continue to realize a new marketing solution that comprehensively supports not only the "funnel for acquiring new customers" from recognition to interest, but also the "funnel for boosting customer loyalty" from purchase to CRM.

In November 2023, a new LINE and Yahoo! JAPAN membership service called LYP Premium was launched as a cross-use measure. 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 to achieve a sustainable earnings growth by connecting the three action points: LINE, Yahoo! JAPAN and PayPay, each of which has one of Japan's largest user bases; promoting cross-use among the Group's services; and expanding 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 as part of the Group's future efforts. 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 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 Company aims to realize a sustainable society by disclosing information on sustainability and fulfilling its accountability, opening the way to the future with its technological capabilities, and continuously solving social issues. While striving for an accurate understanding of the external environment surrounding the Group, key issues (materiality) are addressed upon setting medium-term goals and continuing/promoting initiatives that

align with these goals. With the key issues in mind, the Company aspires to create new solutions not only to generate profit, but also to contribute to solving social issues, by leveraging its strengths such as the diverse services it encompasses as well as its user base, which is one of the largest in Japan. This in turn will support the realization of the Company's mission: "Create an amazing life platform that brings WOW! to our users."

Furthermore, in light of the new management structure following the business integration with LINE Corporation in March 2021, and the changing demands of society, etc., the identified materiality issues have been reviewed and revised in March 2022. In September 2022, the Group established a set of initiatives to address each of the identified materiality issues and corresponding evaluation indicators, which is disclosed in the Company's sustainability website. Details are available in the section, "Implementation of Environmental Activities, CSR Activities etc." of this report, and the Company's sustainability website.

<Sustainability website>

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

(a) Human capital and intellectual properties

Human capital

Under the Z Holdings Group, the Company has developed a wide range of businesses while respecting the uniqueness of each group company. However, as the business environment continues to change, swiftly adapting to these changes and accelerating/maintaining growth is essential.

In light of this situation, the Company took the reorganization centered around LINE Corporation and Yahoo Japan Corporation on October 1, 2023 as an opportunity to create a new mission: "Create an amazing life platform that brings WOW! to our users." To this end, the Company will promote a product-driven growth strategy, aiming to achieve unparalleled product-driven excellence.

Having a competitive advantage in the internet business is essentially derived from the ability to create innovative services and products, which is underpinned by its employees. Therefore, establishing a cycle in which employees can work energetically and create outstanding products and services is one of the Company's top priorities.

Therefore, to create an environment where employees can maximize their performance and contribute to improving the organization's growth, the Company upholds the concept of "connecting people with business to maximize the performance of human capital and organizations" as the cornerstone of its human resources strategy. Also upholding "reinforcing human capital" and "fostering a unique culture" as its two main pillars, the Company aims to promote employee growth and develop a unique culture of its own.

For further details, please refer to the sustainability website below:

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

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

The Company recognizes that responding appropriately to climate change is an important issue for the management, and based on the TCFD recommendations, discloses matters on "Governance," "Strategy," "Risk Management," and "Metrics and Targets" in its sustainability website as needed. The Company also supports and participates in various initiatives such as CDP\*<sup>1</sup>, JCI\*<sup>2</sup>, and RE100\*<sup>3</sup>, actively disclosing the status of its initiatives.

- **Governance:** The Sustainability Committee, which serves as the executive body for addressing climate change, meets in principle four times a year and reports to the Board of Directors, the supervisory body of the Sustainability Committee, to ensure that an appropriate management structure is in place. The Sustainability Committee has an Environment Working Group, which is dedicated to discussing climate change and other related issues. The directors'\*<sup>4</sup> remuneration is linked to sustainability evaluation within the range of  $\pm 5\%$ , providing the directors an incentive to take action on climate change.
- **Strategy:** For each of "mitigation" and "adaptation," the Company promotes measures to reduce greenhouse gas emissions and ensure business continuity, to reduce greenhouse gas emissions for the society through its business activities, and to promote change toward a sustainable society.
- **Risk Management:** The Company conducts scenario analyses related to climate change and recognizes and discloses its impact, priorities, and areas that need to be addressed.
- **Metrics and Targets:** In February 2022, the Company announced its "2030 Carbon Neutrality Declaration," a commitment to reduce greenhouse gas emissions ("GHG emissions") from the business activities of the entire Group to net-zero by FY2030. Under this target, on a standalone basis, the Company has revised its plan following the reorganization centered around LINE Corporation and Yahoo Japan Corporation, and upholds a new goal, "2025 Carbon Neutrality Declaration," which commits to the reduction of GHG emissions to net zero by FY2025. In addition to the operation of highly efficient data centers, the Company undertakes measures to convert the energy it uses to renewable energy. Major Group companies, such as ASKUL Corporation ("ASKUL") and ZOZO, Inc. ("ZOZO") have announced their respective carbon neutrality declarations. In 2016, ASKUL declared the "2030 CO<sub>2</sub> Zero Challenge" and has introduced renewable energy and electric vehicles (EVs) to fulfill its aim to achieve zero CO<sub>2</sub> emissions from business sites and logistic centers that ASKUL has direct influence on, as well as from vehicles used to deliver goods from logistic centers to customers. ZOZO also announced its "2030 Carbon Neutrality Declaration," declaring to reduce its GHG emissions to net-zero by FY2030, and works to introduce renewable energy in its head office and logistic centers. ZOZO continues to introduce renewable energy in other locations as well. ZOZO is also taking on the challenge of energy and resource sustainability through recycling clothing by offering a trade-in discount service, "Replacement Discount," and reselling collected items at ZOZOUSSED. In June 2023, SoftBank Corp., the parent company, announced that it will expand the scope of its "Net Zero" commitment to its group companies. This commitment builds on SoftBank Corp.'s existing initiatives to eliminate GHG emissions from its own business processes and energy consumption (Scope 1 and Scope

2) and GHG emissions generated by its supply chain (Scope 3) to achieve virtually Net Zero GHG emissions by 2050. As a major Group company, the LY Corporation Group is committed to achieving this "2050 Net Zero." Details are available on the Company's sustainability website.

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

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

<Realizing a Decarbonized Society>

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

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

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

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

\*4 Excludes directors who are members of the Audit and Supervisory Committee.

[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 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 adopts the same independence criteria for independent directors as those specified by Tokyo Stock Exchange, Inc.

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

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

The Nominating and Remuneration Committee consists of 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.

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 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.

[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
- Tadashi Kunihiro: OMRON Corporation, Outside Audit & Supervisory Board Member
- 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. The method and results of the evaluation, as well as issues to be addressed in the future, are described below.

<Method of evaluation>

Feedback interviews were conducted with outside directors serving on the Audit and Supervisory Committee immediately after the Board of Directors meetings (11 times in total), and a questionnaire was sent to all directors at the end of the fiscal year. In addition, discussions, etc., were conducted at the Governance Committee regarding the effectiveness of the Board of Directors for this fiscal year. All the results were analyzed and evaluated by the Board of Directors.

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

Based on the content of the feedback interview conducted immediately after the Board of Directors meeting,

partly due to the fact that progress reports on important strategic matters are being made in addition to reporting at the time of resolutions, discussions at the Governance Committee regarding the effectiveness of this fiscal year's Board of Directors confirmed that adequate discussions and information sharing were made at the Board of Directors as a whole, including at the Governance Committee (an advisory body to the Board of Directors), Nominating and Remuneration Committee, prior briefings for the Board of Directors, and individual meetings among directors, and others.

Furthermore, a questionnaire conducted with all directors indicated that the Company's Board of Directors is generally effective in all of the evaluation items noted below.

Based on these results, the Board of Directors analyzed the results and concluded that the Company's Board of Directors is effective as a whole.

In this analysis and evaluation, the following action plans have been established to effectively hold the Board of Directors meetings in FY2024: (1) to operate with a greater awareness of security governance in response to the incident of information leakage due to unauthorized access announced in November 2023; (2) to operate with an awareness that the Company is in the phase to realize visible change and growth in its products; (3) to pay attention to the governance environment in which the Company is placed; and (4) to deepen discussions on the appropriate composition of the Board of Directors and human resource strategies. In FY2024, the Company will continue to take proactive steps, such as striving to implement said action plans, to further enhance the effectiveness of the Board of Directors, and to improve the corporate value of the Group.

<Reference: Major evaluation items in the questionnaire>

Composition and operation of the Board of Directors

Management strategies and business strategies

Corporate ethics and risk management

Performance monitoring

Evaluation and remuneration of the top management team

Dialogue with shareholders

Initiatives for the fiscal 2023 action plans, etc.

Note: Please also 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 Law 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, which specializes in investor relations, 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 release and help realize constructive dialogue with shareholders, investors, and analysts. 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, 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.

As the social impact of COVID-19 has begun to subside, the Company resumed visits to its overseas investors, hosting "Overseas Roadshows," primarily in North America, Europe, Asia, and Australia in which it gains the opportunity to directly engage in dialogues with its foreign investors. The Company also continues to provide opportunities for ongoing dialogue with a wide variety of foreign investors through videoconferencing. In regards to IR publications, from immediately after the Company's initial public offering in 1997, the Company has continued to publish a detailed overview of its financial and business operations as a quarterly financial report to ensure timely disclosure. In addition, along with these reports, the Company summarizes and discloses information on potential risks to the Company. Current publications, as well as an archive of all past ones, are published on the Company website.

(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 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,” 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] [English version available]  
[Last updated: June 28, 2024]

The Company’s actions to implement management that is conscious of cost of capital and stock price are announced in the Company’s earnings slides for the second quarter of FY2023 (pages 40-41).

Please also refer to the updated cost of equity, adjusted EPS target, and capital allocation policy, among others, on the earning slides for FY2023 full year results (page 39).

• FY2023 Q2 Financial Results (pages 40-41)

[https://www.lycorp.co.jp/en/ir/library/presentations/main/014/teaserItems2/00/linkList/04/link/en2023q2\\_presentation.pdf](https://www.lycorp.co.jp/en/ir/library/presentations/main/014/teaserItems2/00/linkList/04/link/en2023q2_presentation.pdf)

• FY2023 Full Year and Q4 Financial Results (page 39)

[https://www.lycorp.co.jp/en/ir/library/presentations/main/014/teaserItems2/02/linkList/04/link/en2023q4\\_presentation.pdf](https://www.lycorp.co.jp/en/ir/library/presentations/main/014/teaserItems2/02/linkList/04/link/en2023q4_presentation.pdf)

## 2. Capital Structure

Foreign Shareholding Ratio	20% or more and less than 30%
----------------------------	-------------------------------

### Status of Major Shareholders

Name or Company Name	Number of Shares Owned	Percentage (%)
A Holdings Corporation	4,853,802,475	64.43
The Master Trust Bank of Japan, Ltd. (Trust Account)	416,284,100	5.53
STATE STREET BANK AND TRUST COMPANY 505325	232,991,798	3.09
Custody Bank of Japan, Ltd. (Trust account)	177,116,780	2.35
SSBTC CLIENT OMNIBUS ACCOUNT	56,054,518	0.74
STATE STREET BANK WEST CLIENT-TREATY 505234	51,448,249	0.68
STATE STREET BANK AND TRUST COMPANY 505223	45,899,027	0.61
GOLDMAN SACHS INTERNATIONAL	45,476,434	0.60
JP MORGAN CHASE BANK 385632	42,873,839	0.57
BNYM AS AGT/CLTS 10 PERCENT	38,120,263	0.51

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

Name of Parent Company, if applicable

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

- Status of major shareholders is as of March 31, 2024. In addition to the above, the Company has treasury stock of 103,150,424 shares as of March 31, 2023. Please note that the treasury stock does not include the Company's shares (32,948,954 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 parent company of the Company is SoftBank Group Corp., SoftBank Group Japan Corporation, SoftBank Corp., and A Holdings Corporation. The Company has enacted “Regulations for Appropriate Business Transactions and Practices by LY Corporation, its Parent Company, Subsidiaries, and Affiliates.” In accordance with these regulations, the Company strives to maintain its commitment to fair and proper transactions by expressly forbidding clearly advantageous or disadvantageous transactions with its parent company, etc. which are judged in comparison to transactions with a third party or with other similar transactions, and performing of transactions for the purpose of shifting profits, losses, or risks. In addition, of the transactions with the parent company, etc., those that exceed a certain amount are discussed in advance by 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 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.

### 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.

(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. Please note that the independence of the Company's Board of Directors is secured through the appointment of four independent outside directors out of six directors, and the Governance Committee, consisting of four such independent outside directors, is established as an advisory body to the Board of Directors. The Governance Committee discusses important matters related to the Group's governance and other matters in order to strengthen the supervisory function of the Board of Directors, further improve corporate governance, and protect the Company's minority shareholders by monitoring decision-making when transactions with the parent company and other related parties are implemented.

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

The Company has concluded an agreement with A Holdings Corporation that requires A Holdings Corporation's prior approval for any changes to the Articles of Incorporation (excluding minor changes), transfer of material assets to a third party other than the Group, or any other issuance of new shares, stock acquisition rights, or bonds with stock acquisition rights that would affect the ratio of voting rights of A Holdings Corporation to be less than 50% on a fully diluted basis. In addition, the Company has agreed with A Holdings Corporation that the number of directors of the Company shall be limited to 10, of which internal directors, excluding independent outside directors serving on the Audit and Supervisory Committee, shall be nominated by A Holdings Corporation, subject to prior consultation with the Company's Nominating and Remuneration Committee consisting of the Company, independent outside directors serving on the Audit and Supervisory Committee (not less than three and not more than four) and internal directors (not less than one and not more than two), in which case the Company shall cooperate to the maximum extent reasonable to elect such directors in accordance with such nomination. The agreement also stipulates that A Holdings Corporation shall respect the recommendation of the Company's Nominating and Remuneration Committee when voting on proposals for the election of independent outside directors serving on the Company's Audit and Supervisory Committee. Furthermore, the Company and A Holdings Corporation have agreed in the same agreement that the number of directors of the Company and the ratio of independent outside directors to such number will be discussed and reviewed as necessary in light of future discussions on governance of listed companies.

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

### 1. Organizational Composition and Operation

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

#### Directors

Number of Directors Stipulated in Articles of Incorporation	10
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	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 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
--	-----------

### 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 execution statuses, and audit results.

### Voluntarily Established Committee(s)

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

---

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

---

	Committee's Name	All Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	Nominating and Remuneration Committee	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, 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, 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

Taking seriously its responsibility toward the information leakage caused by unauthorized access (announced in November 2023) and the administrative guidance and recommendation, etc. it received, the Company's Board of Directors resolved on May 8, 2024, not to pay the stock-based remuneration to the directors (excluding those serving on the Audit and Supervisory Committee) for the fiscal year ending March 2025. In addition, the Audit and Supervisory Committee discussed and decided not to pay the stock-based remuneration to the directors serving on the Audit and Supervisory Committee.

For details, please see the following announcement:

<Notice of Non-Payment of Stock-Based Remuneration>

[https://www.lycorp.co.jp/en/ir/news/auto\\_20240507582631/pdfFile.pdf](https://www.lycorp.co.jp/en/ir/news/auto_20240507582631/pdfFile.pdf)

Persons Eligible for Stock Options	Inside Directors
Supplementary Explanation for Applicable Items	

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



## Director Remuneration

Status of Disclosure of Individual Directors' Remuneration

Individual Disclosure for All Directors

### Supplementary Explanation for Applicable Items

Please refer to the Company's website on corporate governance for details on fiscal 2023 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

### 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 "Policy for Determining the New Remuneration, Etc., for Individual Directors" (the "Remuneration Policy") has been 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 the business execution of the directors.

The composition of the Board of Directors, chaired by the President and Representative Director, is as shown in the table below.

In order to ensure supervision and decision-making from objective and diverse points of view, four out of the 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 Usami, 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, 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, the Committee determines the amount of remunerations, etc. of the directors (excluding those serving on the Audit and Supervisory Committee) after careful deliberation, taking into consideration the business performance in each quarter, contributions to the business performance, and other factors. With respect to stock-based remuneration, proposals, etc., are made to the Board of Directors, based on the Committee's resolutions.

#### (4) Governance Committee

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

For transactions that involve parent companies, etc., the Governance Committee deliberates from the perspective of fairness, economic rationality, and legality, prior to the submission of proposals to the Board of Directors. In addition, for matters that are not subject to be proposed to the Board of Directors but are transactions that fall under certain conditions based on internal regulations, 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 execution functions 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.

#### 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	Held

	<p>General Meeting of the Shareholders with the goal of helping individual investors deepen their understanding of the Company's operations.</p> <p>Furthermore, for individual investors who are not able to attend these meetings on the day, the presentations are streamed live and archived as video files for viewing on a later date.</p>	
Regular Investor Briefings held for Analysts and Institutional Investors	<p>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.</p>	Held
Regular Investor Briefings held for Overseas Investors	<p>As the social impact of COVID-19 has begun to subside, the Company resumed visits to its overseas investors, hosting "Overseas Roadshows," primarily in North America, Europe, Asia, and Australia in which it gains the opportunity to directly engage in dialogues with its foreign investors. The Company also continues to provide opportunities for ongoing dialogue with a wide variety of foreign investors through videoconferencing.</p>	Held
Online Disclosure of IR Information	<p>Since immediately after its initial public offering in 1997, the Company has published quarterly financial reports to ensure timely disclosure and provide detailed overview of its financial and business operations. In addition, along with these quarterly reports, the Company provides a summary of matters that could become potential risks to the Company. Current publications, as well as an archive of all past ones, are published on the company website.</p>	
Establishment of Department	<p>The Company has appointed a CFO (Chief Financial</p>	

and/or Placement of a Manager in Charge of IR	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 stipulates a clear code of conduct that must be complied with within its "LY Corporation Group Code of Conduct." The Company is committed to respecting the positions of its stakeholders, fulfilling its corporate responsibilities to society, and improving corporate value.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	<p>The Company is committed to disclosing sustainability information and ensuring accountability, and to work towards the realization of a sustainable society by unlocking the future and continuously providing solutions to social issues with the power of technology.</p> <p>To promote initiatives to address various sustainability issues across the Group companies, the Company has established the Sustainability Committee, an executive body under the supervision of the Board of Directors, which is the highest decision-making body.</p> <p>The Sustainability Committee meets in principle four times a year and is chaired by the President and Representative Director, with members including the CFO, outside directors and others. They deliberate and make decisions on the Group's materiality issues, policies and measures in the area of sustainability, and monitors their implementation. In FY2023, the Sustainability Committee discussed policies to address issues such as climate change and natural capital, as well as strategies for human capital and other ESG issues. Furthermore, the Environment Working Group and the Human Rights Working Group are established as subsidiary bodies of the Sustainability Committee. The persons responsible for the environment and human rights in each Group company serve as members of these working groups and deliberate the policies and measures for the Group and promote the measures in each Group company.</p> <p>Important matters discussed by the Sustainability Committee are also proposed and reported to the Board of Directors as well as reported as appropriate to the Governance Committee. The Board of Directors oversees the promotion of the sustainability initiatives by deliberating and resolving on these important matters.</p> <p>In addition, in order to ensure that the directors*<sup>1</sup> are committed to promoting sustainability, the Company has incorporated a sustainability evaluation as an indicator for determining cash bonuses for their executive</p>

remuneration within the range of  $\pm 5\%$ . The sustainability evaluation is composed of the previous fiscal year's results of each materiality indicator, including progress of achieving carbon neutrality, diversity-related 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 (within  $\pm 5\%$ ) is resolved by the Nominating and Remuneration Committee, of which the majority is composed of independent outside directors.

\*1 Excludes directors who are members of the Audit and Supervisory Committee.

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 materiality issues that were identified as a result.

■ Sustainability Management (Materiality)

<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/diversity/>

■ Fair and appropriate treatment

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

■ 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 August 2023, the Company has received the highest rating of AAA in the MSCI ESG Rating for three consecutive years since 2021. For the fourth year in a row since 2020, the Company was selected as a component of the Dow Jones Sustainability World Index, one of the most prestigious global indices of ESG investment.

The Company has also been selected as a constituent of all 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 Index<sup>SM</sup>.

■ Acknowledgement as a sustainable company

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

#### <Addressing climate change>

While information technology is making the world richer and more convenient, it is also placing an environmental burden in the form of greenhouse gas (GHG) emissions from energy consumption, particularly electricity, and this burden is increasing with the expansion of the industry as a whole. As a measure to address climate change, the Group declared its support for TCFD<sup>\*1</sup> in June 2020, and officially joined the supporters. Referring to the TCFD recommendations, the Group conducts scenario analysis, summarizes risks and opportunities, and promotes measures to address climate change as a Group.

#### <Governance>

An appropriate management system is in place through meetings held in principle four times a year by the Sustainability Committee, which serves as the executive body for addressing climate change, and its reports to the Board of Directors, the supervisory body of the Sustainability Committee. The Sustainability Committee has an Environment Working Group, which is dedicated to discussing climate change and other related issues. The directors<sup>\*2</sup> remuneration is linked to sustainability evaluation within the range of  $\pm 5\%$ , providing the directors an incentive to take action on climate change.

#### <Strategy>

For each of "mitigation" and "adaptation," the Company promotes measures to reduce GHG emissions and ensure business continuity, as well as measures to reduce GHG emissions in society as a whole through its business activities and measures to promote change toward a sustainable society. As a Group in the IT industry, a large part of the Group's GHG emissions<sup>\*3</sup> come from energy consumption through the use of electricity. To reduce GHG emissions, the Group is constantly investing in state-of-the-art facilities at its data centers to maintain high power efficiency and reduce the growth of power consumption, and is gradually switching to power from renewable energy sources (including substantial supply) that do not emit GHG in its power contracts.

#### <Risk management>

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



	<p>measures for risk management and creation of the Group’s new business opportunities.</p> <p>&lt;Metrics and targets&gt;</p> <p>In February 2022, the Company announced its “2030 Carbon Neutrality Declaration,” a commitment to reduce GHG emissions from the business activities of the entire Group to net-zero by FY2030. In June 2023, SoftBank Corp., the parent company, announced that it will expand the scope of its "Net Zero" commitment to its group companies. This commitment builds on SoftBank Corp.'s existing initiatives to eliminate GHG emissions from its own business processes and energy consumption (Scope 1 and Scope 2) and GHG emissions generated by its supply chain (Scope 3) to achieve virtually Net Zero GHG emissions by 2050. As a major Group company, the LY Corporation Group is committed to achieving this "2050 Net Zero".</p> <p>*1 TCFD (Task Force on Climate-related Financial Disclosures) is a task force established by the Financial Stability Board (FSB), an international body participated by central banks and financial supervisory agencies of major countries.</p> <p>*2 Excludes directors who are members of the Audit and Supervisory Committee.</p> <p>*3 GHG emissions subject to the GHG Protocol Scopes 1 and 2. (Results for 2022)</p>
<p>Formulation of Policies, etc. on Provision of Information to Stakeholders</p>	<p>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.</p>
<p>Other</p>	<p>The Company 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, the Company's Chairperson and Representative Director (then President of Yahoo Japan Corporation) proclaimed the Good Condition Declaration in June 2018, and announced that amidst COVID-19, “the health, safety and security of the employees are the top priority” to all the employees of the Group. In October 2023, this Good Condition Declaration was succeeded by the Company's President and Representative Director, and LY Corporation also established a division to support the employees’ autonomous wellness management and promotes health and productivity management. In March 2024, the Company has been acknowledged in the large enterprise category (White 500) of the 2024 Certified KENKO Investment for Health Outstanding Organizations Program by Japan's Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi. Going forward, the Company aims to continue to be a company where</p>

employees can approach their work both physically and mentally in optimal condition.

Note: “Kenko-keiei (KENKO Investment for Health)” is a registered trademark of the Nonprofit Organization Kenko-keiei.

## 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, rejection of any involvement with anti-social forces and others is clearly stated in the LY Corporation Group Code of Conduct. In addition, Regulations on the Elimination of Antisocial Forces is established, which thoroughly rejects any relationship with anti-social forces, clearly indicating that even tangential relationships must be avoided and that absolutely nothing shall be done which may support the activities of such forces or groups. Moreover, in addition to preparing and disseminating manuals and circulars, as well as carrying out training programs regarding this policy, the Company also cooperates with external specialized organizations such as relevant police and government agencies and legal offices. The Group is a member of the National Center for Removal of Criminal Organizations, etc., and is engaged in collecting information about anti-social forces and the proper way to handle unreasonable demands, thereby strengthening its system for dealing with such scenarios.

## V. Other

### 1. Adoption of Anti-Takeover Measures

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

#### Supplementary Explanation for Applicable Items

The Company considers the risk of a hostile takeover to be low at this time due to its shareholder composition and has not 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 Law and other relevant laws and statutes as well as its own "disclosure policy", which summarizes the Company's stance on the disclosure of information. According to this policy, the Company strives to provide accurate and impartial release of company information once it has been thoroughly investigated and managed. In addition, from immediately after its initial public offering in 1997, the Company has published a quarterly financial report to ensure timely disclosure and provide a detailed overview of its financial and business operations. Furthermore, 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 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

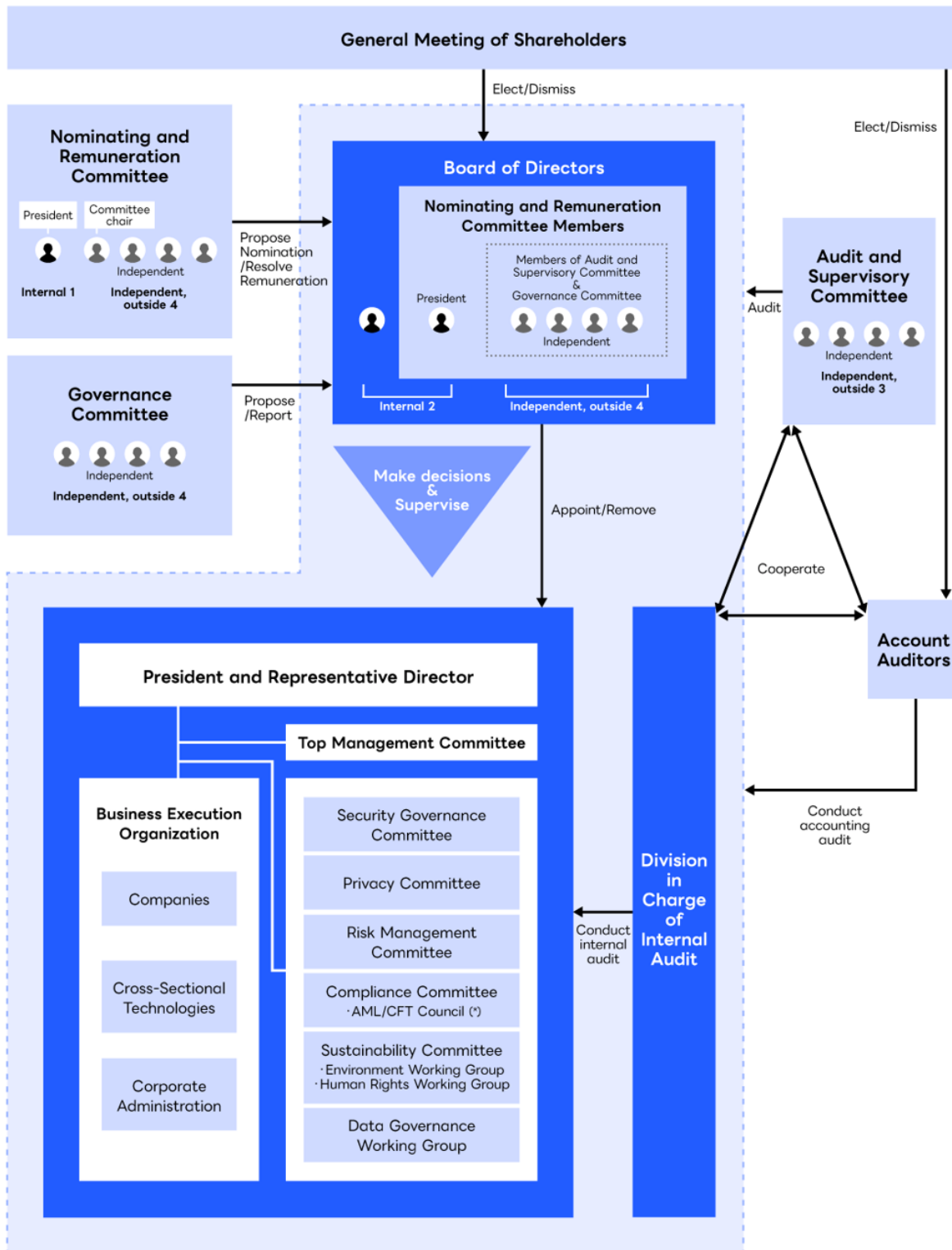
Every internal department is to consult with the legal/governance division, finance division, public relations division and IR division regarding relevant information in advance. The legal/governance division and finance division judge each case from a legal standpoint in light of laws such as Financial 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



\* The AML/CFT Council makes reports and discusses matters on efforts to combat money laundering and financing of terrorism. (AML stands for Anti-Money Laundering and CFT stands for Combating the Financing of Terrorism.)

## Disclaimer

Unless otherwise specified, English-language documents are prepared solely for the convenience of non-Japanese speakers. If there is any inconsistency between the English-language documents and the Japanese-language documents, the Japanese-language documents will prevail.

END