

Z Holdings Corporation Business Results

FY2022 Q1

August 3, 2022

Z HOLDINGS

Revenue: JPY390.5 B (YoY +4.6%) / Adjusted EBITDA: JPY86.5 B (YoY +0.2%), both recording YoY increases and the highest record for Q1.

Consolidated
Results

- LINE Ads maintained a double-digit growth. Account ads grew more than YoY +20%, due to acquisition of new customers, etc.
- E-commerce transaction value recorded JPY989.5 B (YoY +15.1%) due to recovery in the travel business and high growth in overseas e-commerce, etc.

Topics

- Transformation into a renewed Yahoo! JAPAN Shopping scheduled in October. Aim to maximize transaction value through straightforward user experience, promotion of blue-ribbon stores, and unification of referrals.
- Consolidation of PayPay Corporation. Will continue to accelerate collaborations within the Group and promote the expansion of the ecosystem, while maximizing user base through linkage in QR code payments, integration of point-rewards, ID linkage, etc.

- 1 Consolidated Business Results – Whole Group**
- 2 Topics/Business Results – By Segment**
- 3 FY2022 Business Results Forecast**
- 4 Consolidation of PayPay Corporation**

1 Consolidated Business Results – Whole Group

2 Topics/Business Results – By Segment

3 FY2022 Business Results Forecast

4 Consolidation of PayPay Corporation

- **Achieved increases in revenue and adjusted EBITDA** due to steady growth in LINE Ads, etc.

Segment	Item	FY2021 Q1	FY2022 Q1	YoY
Whole Group	Revenue	JPY373.3 B	JPY390.5 B	+4.6%
	Adjusted EBITDA	JPY86.3 B	JPY86.5 B	+0.2%
	Adjusted EPS	JPY3.56	JPY3.57	+0.2%
Media Business	Advertising Revenue (LINE) ¹	JPY42.7 B	JPY48.8 B	+14.3%
	Advertising Revenue (Yahoo Japan) ²	JPY90.6 B	JPY94.2 B	+4.0%
	Adjusted EBITDA ¹	JPY61.3 B	JPY65.2 B	+6.4%
Commerce Business	Group EC Transaction Value ³	JPY859.9 B	JPY989.5 B	+15.1%
	Adjusted EBITDA ¹	JPY35.5 B	JPY37.3 B	+5.3%
Strategic Business	Fintech Revenue ¹	JPY27.2 B	JPY30.5 B	+11.8%
	Adjusted EBITDA ¹	Negative JPY5.0 B	Negative JPY7.1 B	-
Other/Adjustments	Adjusted EBITDA ¹	Negative JPY5.4 B	Negative JPY8.9 B	-

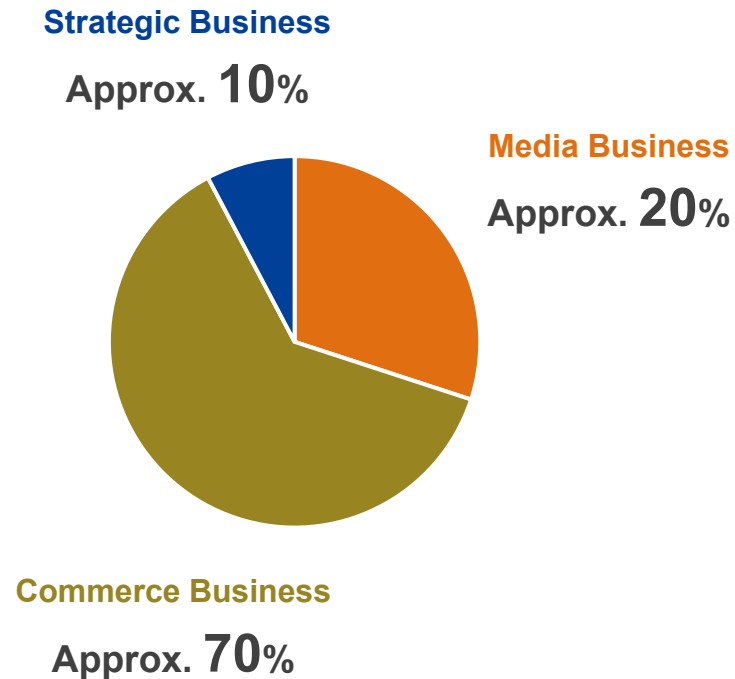
1. From FY2022 Q1, Yahoo Japan Corporation's financial service which had formerly been recorded in Strategic Business has been transferred to Media Business. LINE Corporation's services that had been recorded in Adjustments have been transferred to each business segment. Figures have been retroactively revised from FY2021 Q1.

2. Includes Shopping-related advertising revenue. Shopping-related advertising revenue is classified in Commerce Business.

3. Domestic merchandise transaction value + domestic services transaction value + domestic digital content transaction value + overseas e-commerce transaction value. Figure for FY2021 Q1 has been retroactively revised to include overseas e-commerce transaction value. Please refer to page 26 of the Appendix for definition of overseas e-commerce transaction value.

- In Q1, **executed strategic investments of approximately JPY10 B** mainly in Commerce Business. Due to the consolidation of PayPay Corporation, strategic investment towards PayPay Card has not been implemented since efficiency in sales promotion will be enhanced.
- From Q2 onwards, **investments for medium- to long-term growth are planned based on flexible decision-making**, taking the business environment and market conditions, etc. into account.

Breakdown of Q1 by Segment



Segment	Major Investments	Investment Effects
Media	Improving ads functionality/ sales promotion	LINE advertising revenue JPY48.8 B (YoY +14%)
	Sales promotion of Yahoo! JAPAN Loco	Yahoo! JAPAN Loco transaction value YoY +210%
Commerce	Sales promotion of LINE overseas e-commerce	Transaction value JPY80.9 B (YoY +89%)
	Sales promotion of LINE GIFT	Transaction value YoY +82%
	Strengthening logistics of Yahoo! JAPAN Shopping/PayPay Mall	Ratio of transaction value of blue-ribbon delivery YoY +45%

▶ Other investments: vertical search, sales promotion of Yahoo! JAPAN Shopping/PayPay Mall, Yahoo! JAPAN Mart, LINE NFT

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Media Business

1. **First party data** obtained from rich touchpoints/conversion points
2. Possession of **search service** in addition to display ads, that provides touchpoints
3. **LINE Official Account**, the Company’s unique asset and stock-type product

Maximum use of 1st Party Data derived from linkage of user/business IDs & data asset

Improve ad distribution accuracy

Enrich 1st Party Data

Touchpoints

Search

Unique advantages

YAHOO! JAPAN

LINE

Unparalleled reach

Media

Social Discovery

Referral

Conversion Points

LINE Official Account

Maximize LTV through CRM

E-commerce

Reservation

Payment/Fintech

- **Cross-selling** to Yahoo! JAPAN Shopping and PayPay Mall merchants **progressing steadily**.
- **Aim to maximize payment GMV/no. of reservations** by deploying measures to other services (e.g., PayPay, restaurant reservation, etc.) in the future.

Achievements

LINE Official Accounts × Yahoo! JAPAN Shopping

1 Increase in no. of accounts opened

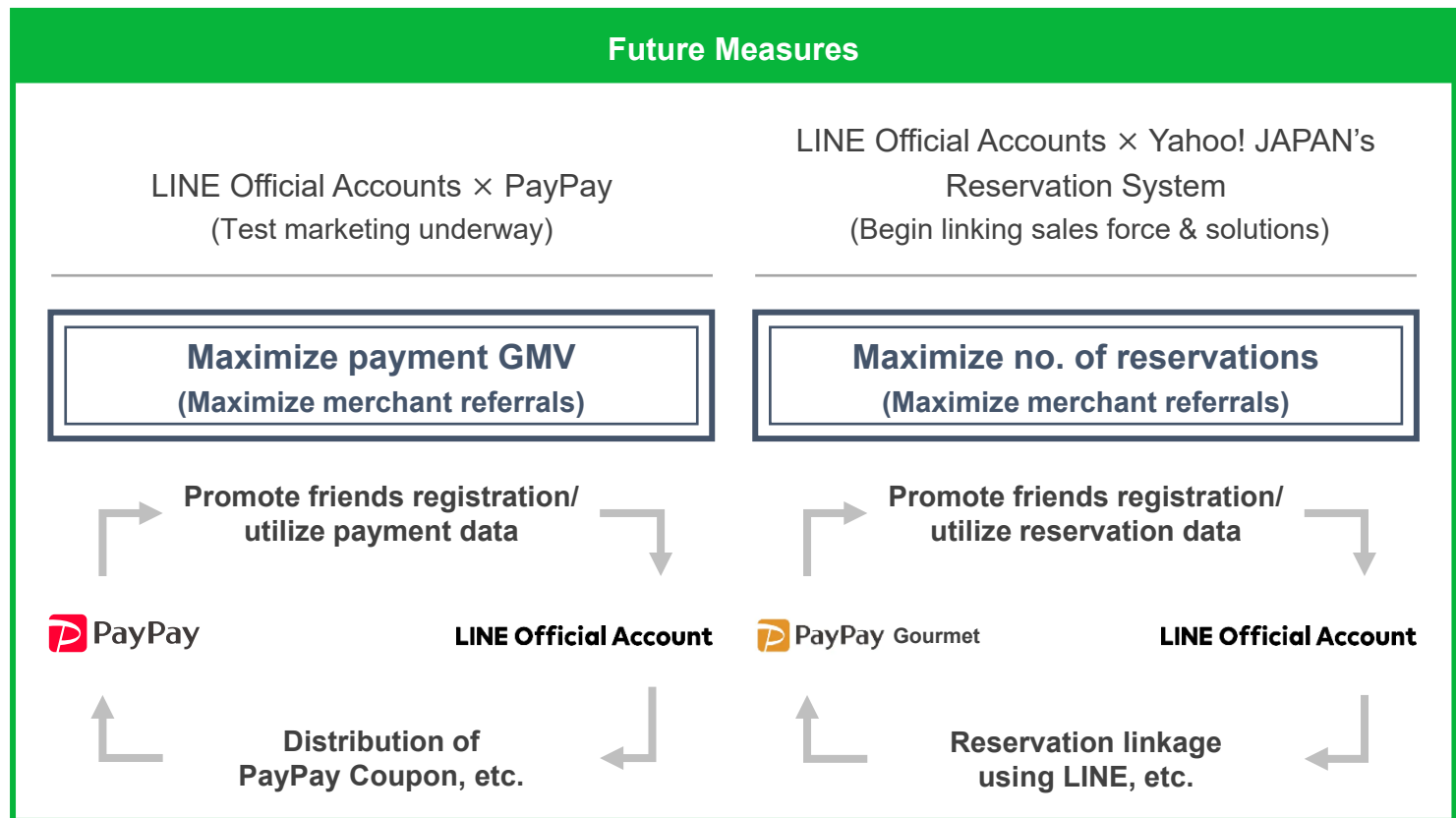
- No. of stores opening LINE Official Account: **30,975** (as of June 30, 2022)
- Percentage to transaction value¹: **73%**

2 Increase in no. of registered friends

- Cumulative no. of registered friends²: **8,037,229**

3 Creation of best practices

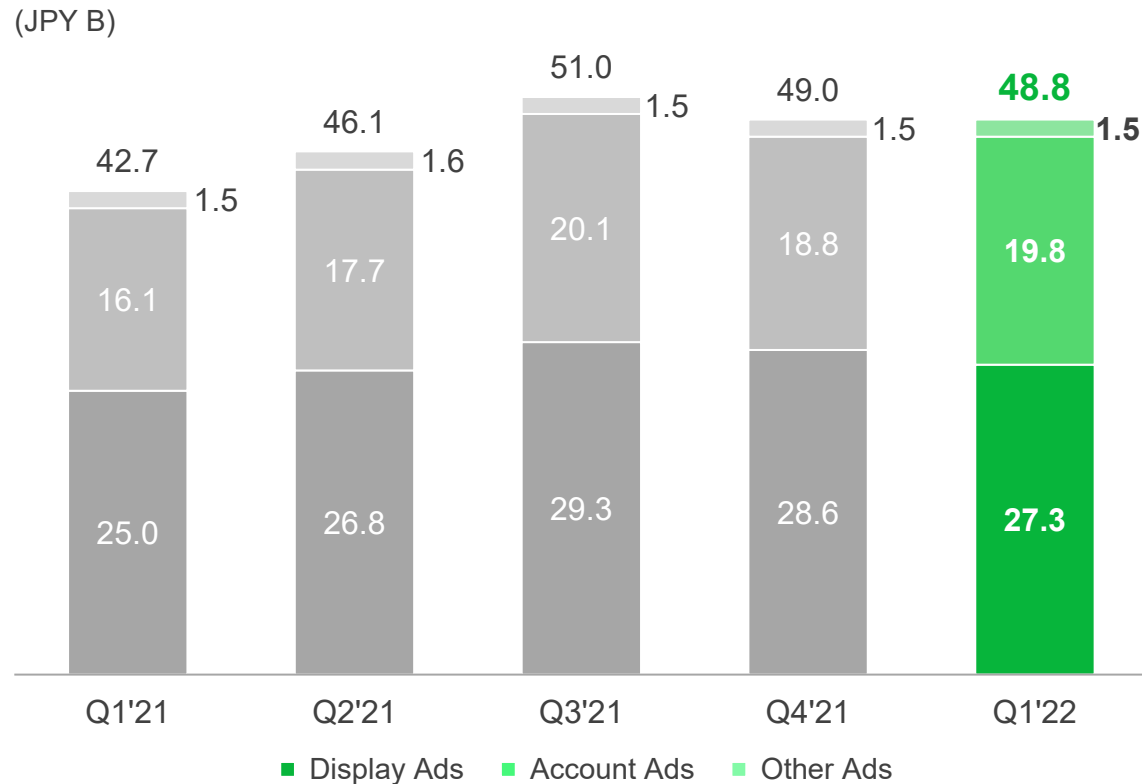
- Message open rate³: approximately **5X**
- CTR³: approximately **3X**



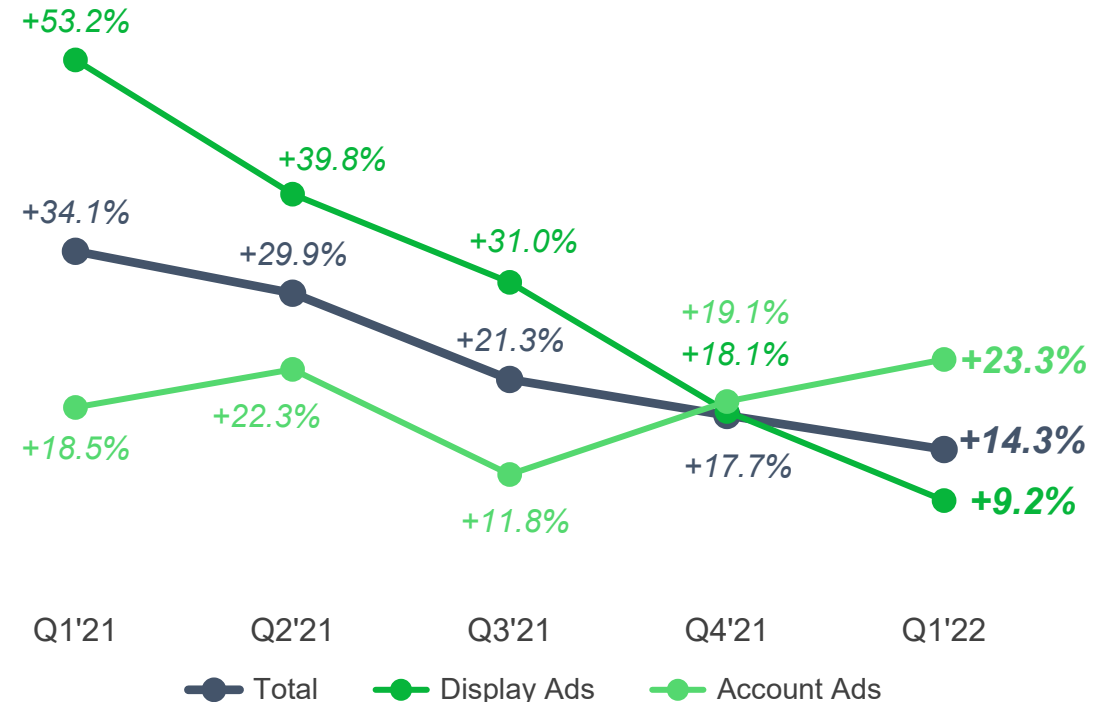
1. Percentage to total transaction values of Yahoo! JAPAN Shopping and PayPay Mall for FY2022 Q1.
 2. No. of registered friends as of June 30, of Yahoo! JAPAN Shopping and PayPay Mall merchants with LINE Official Accounts.
 3. Compared the average of LINE Official Accounts opened by Yahoo! JAPAN Shopping and PayPay Mall merchants, to average of store newsletters. Based on figures for November 2021 – June 2022.

- Account ads: **grew over 20% due to acquisition of new customers of LINE Official Account and increase in ad distributions by major clients.**
- Display ads: **JPY27.3 B (YoY +9.2%)** although some industries were affected by economic conditions.

Total Advertising Revenue^{1,2}



Total Advertising Revenue - YoY Growth Rate^{1,2}



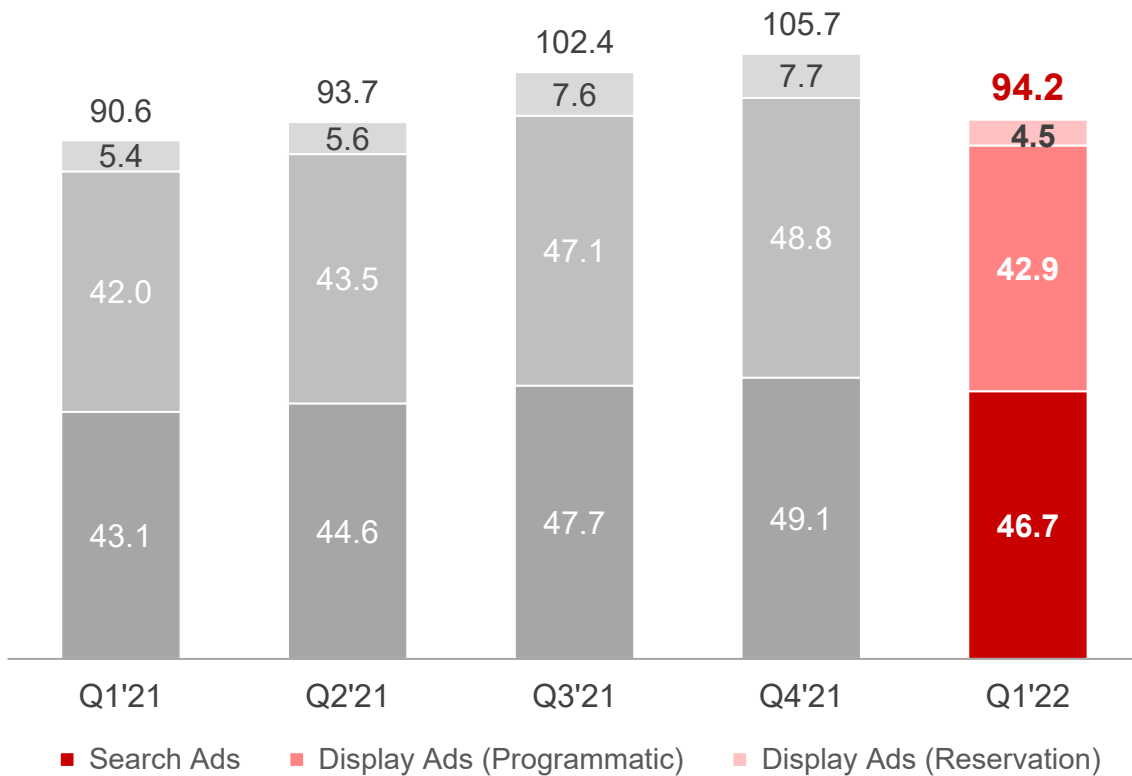
1. Results are adjusted according to the accounting period of Z Holdings Corporation (fiscal year ending in March).

2. From FY2022 Q1, LINE Corporation's services that had been recorded in Adjustments have been transferred to each business segment. Figures have been retroactively revised from FY2021 Q1.

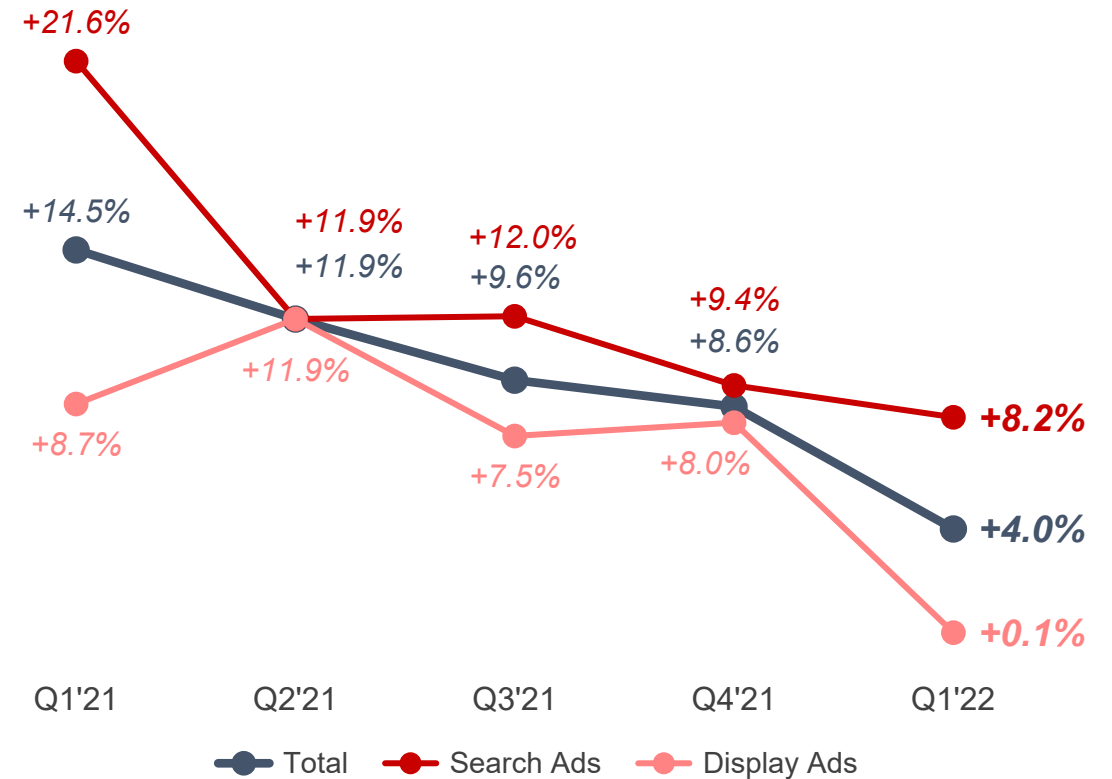
- Search advertising **grew steadily due to capturing of demand recovery, especially in the travel industry.**
- Display advertising **reached the same level as last year due to weak demand in reservation advertising caused by uncertain macro environment.**

Total Advertising Revenue

(JPY B)

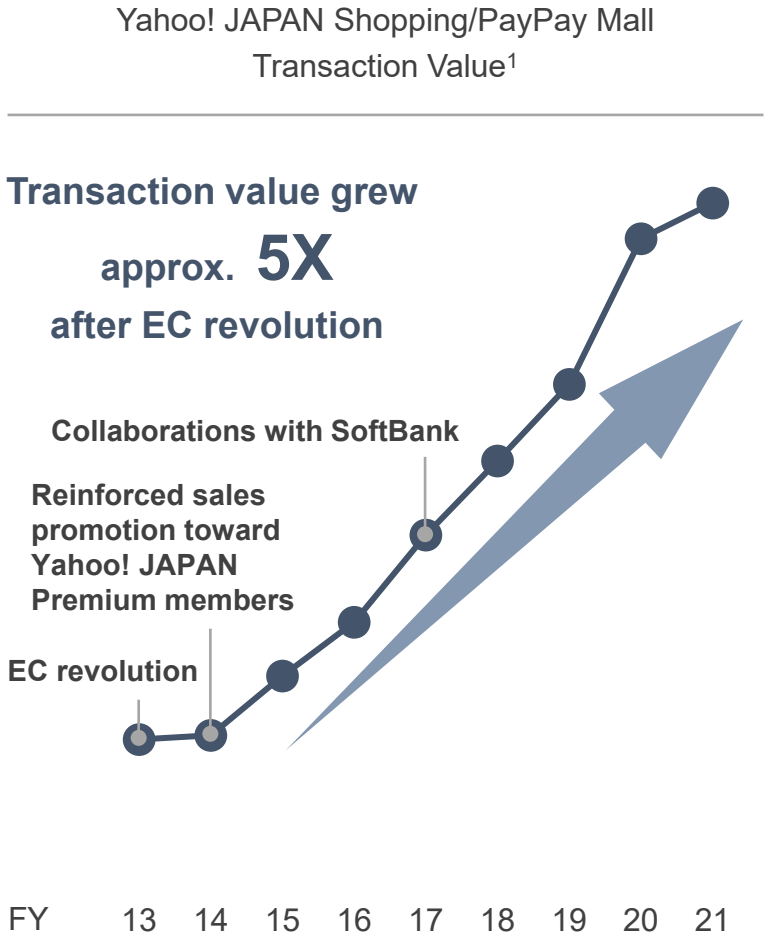


Total Advertising Revenue - YoY Growth Rate



Commerce Business

- To provide a simple, easy-to-search, safe/secure, and convenient shopping experience.
- Further expand transaction value through straightforward user experience, promotion of blue-ribbon stores, and unification of referrals within the Group.



YAHOO! JAPAN Shopping

- Wide selection of products
- No listing fee

PayPay Mall

- Easy-to-use UI for finding products
- Selected stores only
- Provision of safe/secure shopping experience

High-quality shopping experience realized through a wide selection of products

New Yahoo! JAPAN Shopping (Scheduled in Oct. 2022)

1 Intrinsic service quality improvements

- UI/UX optimized for each category that facilitates product search
- Promote blue-ribbon stores and reinforce delivery

2 Customer attraction

- Maximize customer attraction through unified referrals within the Group

3 Sales promotion

- Simple/easy-to-understand rewards (planned)

1. PayPay Mall launched in October 2019. From FY2019, includes transaction value of PayPay Mall.

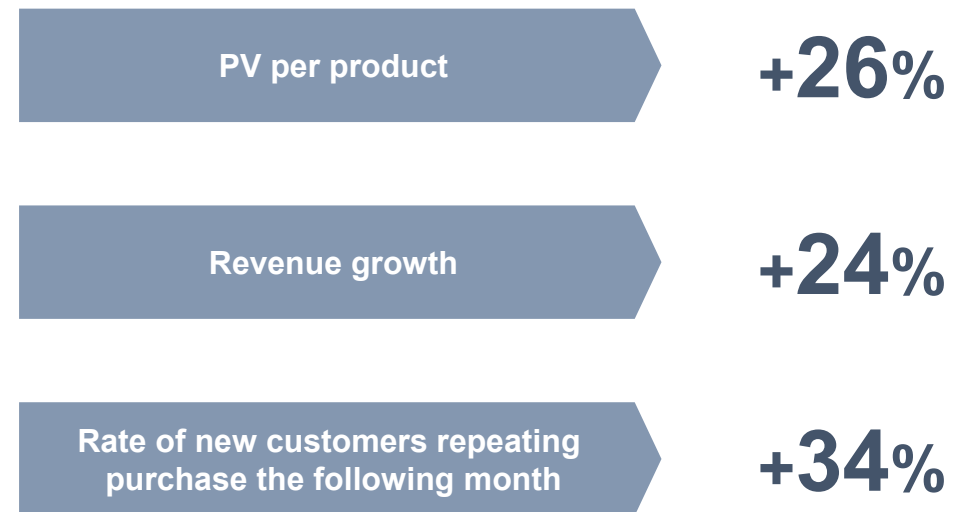
- **Commissions from additional options and ad placements. 3% revenue** from Promotion Package Plan. **Designed to hike the ratio of blue-ribbon delivery by providing additional benefits** exclusive to blue-ribbon stores.
- Through additional benefits, **to create a structure where goods from blue-ribbon delivery stores are more marketable** since introduction of blue-ribbon delivery is proven to be effective.

New Plan for Stores

	Store Opening Plan	Promotion Package Plan
Commission	Free	3.0%
Access lift of search results	-	Included
Access to Yahoo! JAPAN Shopping's data	-	
Preferential display in Yahoo! JAPAN Shopping	-	Additional benefit exclusive to blue-ribbon stores ¹
Sales promotion support	-	
Dedicated help desk	-	

Effect of Introducing Blue-Ribbon Delivery²

Comparison with stores without blue-ribbon delivery



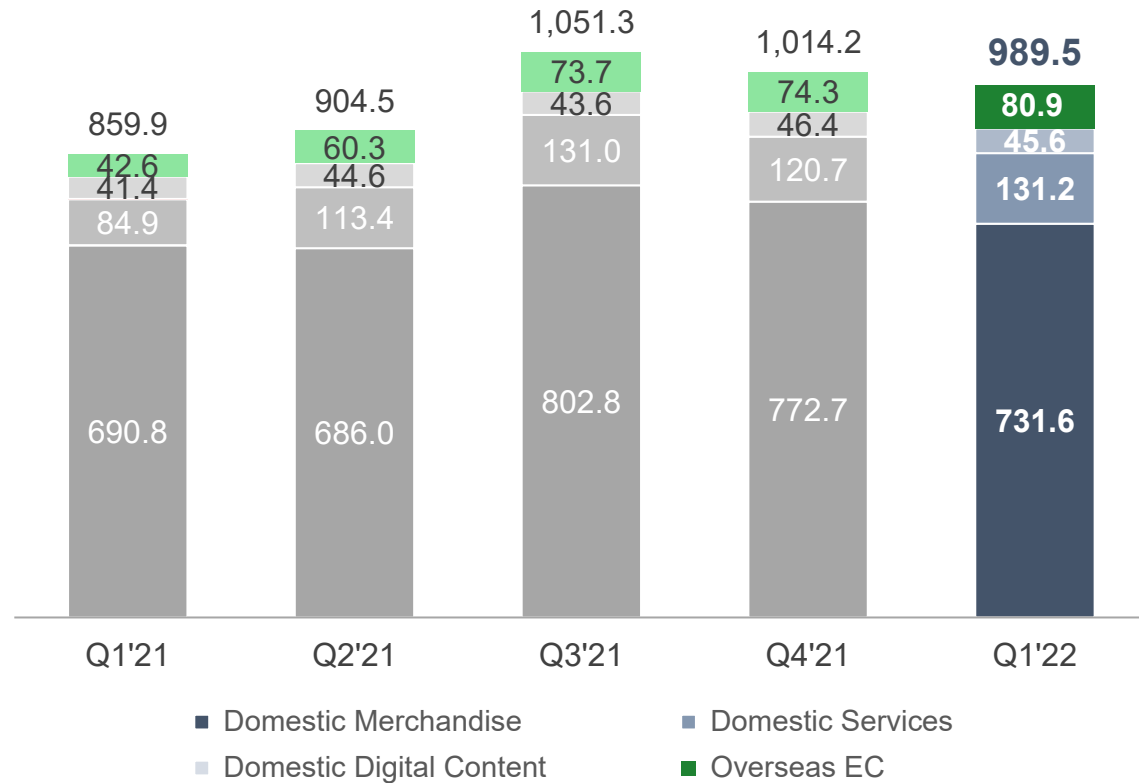
1. Blue-ribbon stores defined as: stores whose ratio of blue-ribbon delivery specified orders is more than 50%; overall rating is 12 points or higher; scores for the blue-ribbon store evaluation items are above a certain level.

2. Result of April 2022. Covers stores of Yahoo! JAPAN Shopping and PayPay Mall.

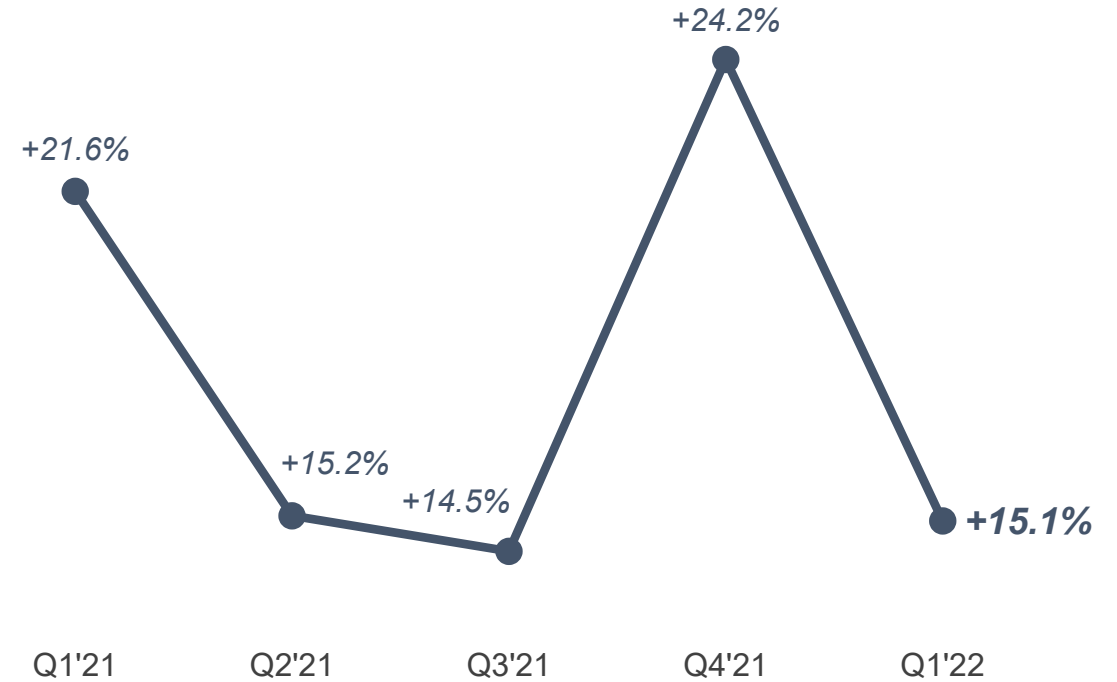
- From FY2022 Q1, included transaction value of overseas e-commerce (Figures for FY2021 are retroactively revised).
- Resulted at **JPY989.5 B (YoY+15.1%)** due to recovery in travel from economic reopening, high growth in overseas e-commerce, etc.

Group EC Transaction Value¹

(JPY B)



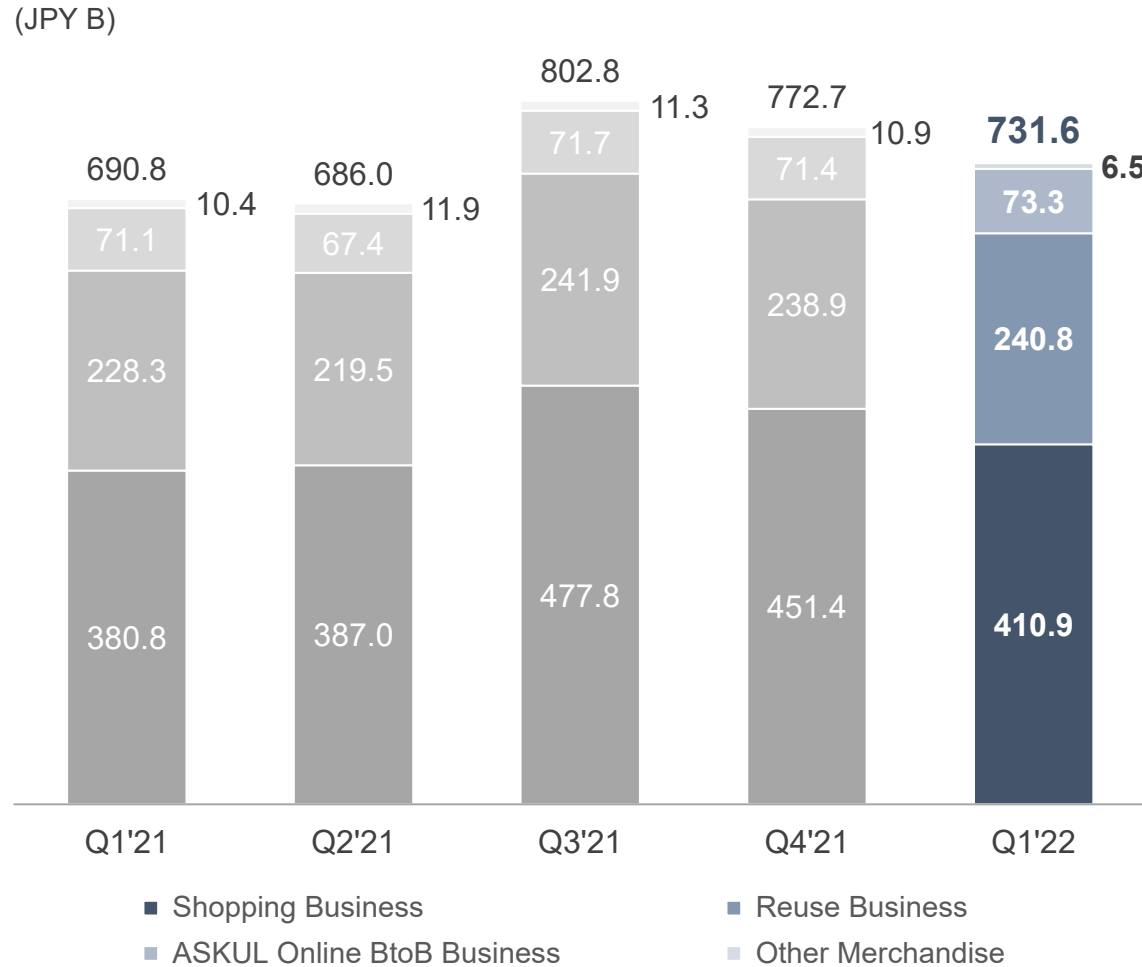
Group EC Transaction Value¹ - YoY Growth Rate



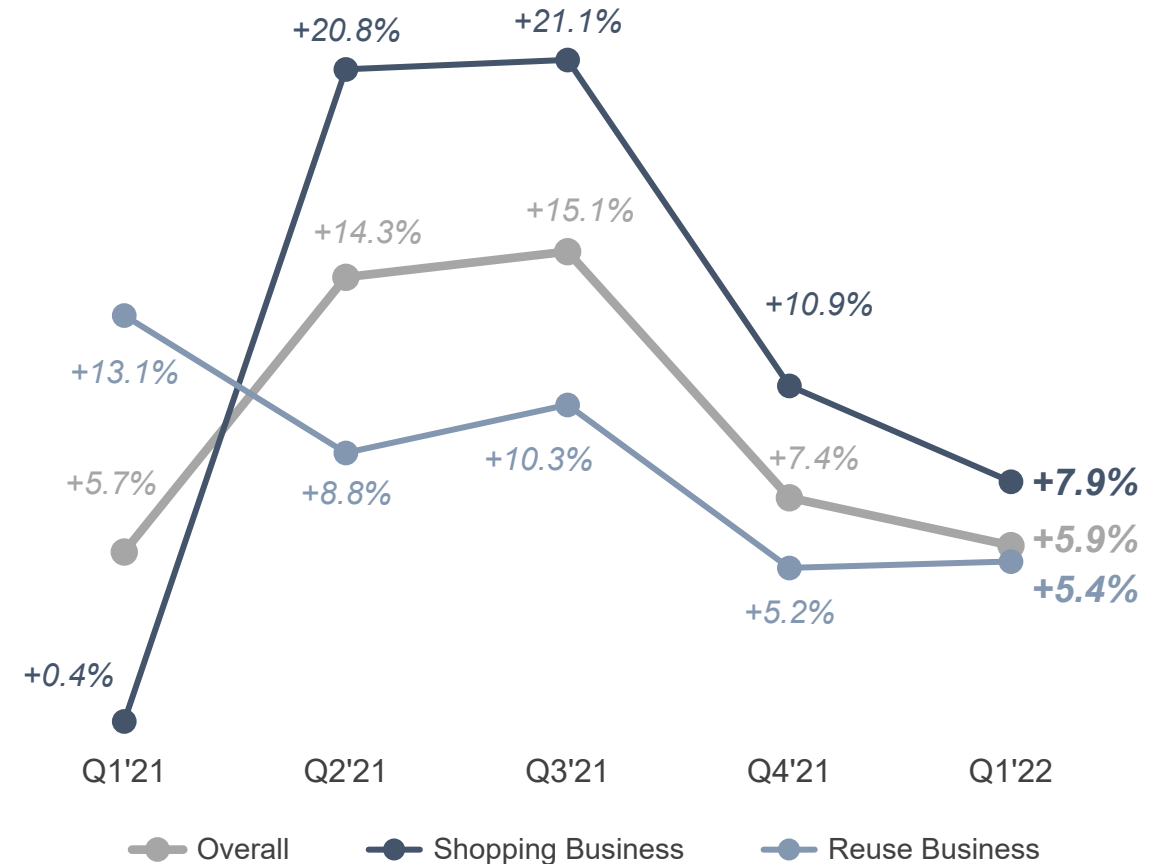
1. Please refer to page 26 of the Appendix for definition of transaction value.

- Domestic merchandise transaction value: **JPY731.6 B (YoY +5.9%)** due to steady growth in shopping & reuse businesses.

Domestic Merchandise Transaction Value¹



Domestic Merchandise Transaction Value¹ – YoY Growth Rate



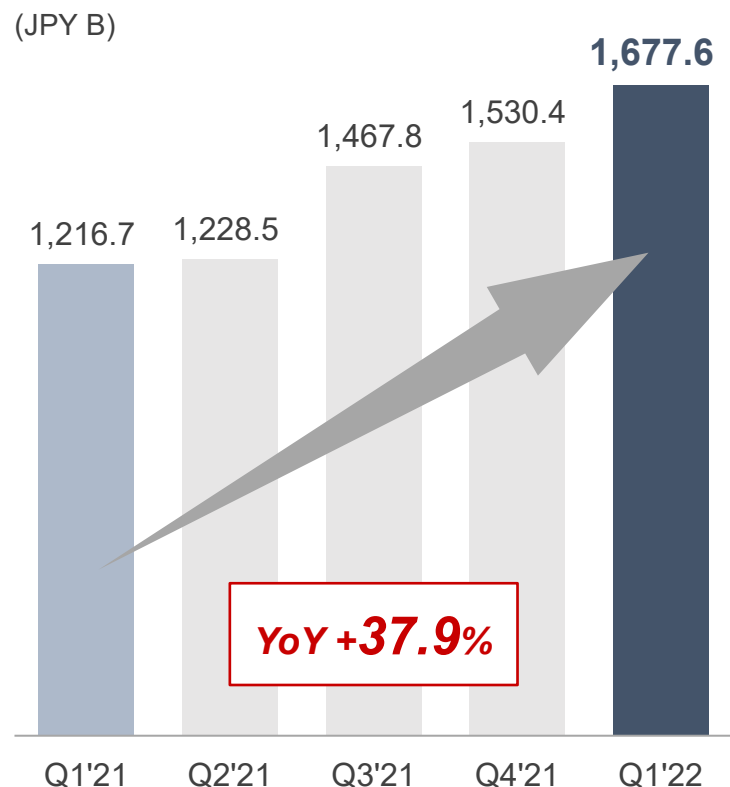
1. Please refer to page 26 of the Appendix for definition of transaction value.

Strategic Business

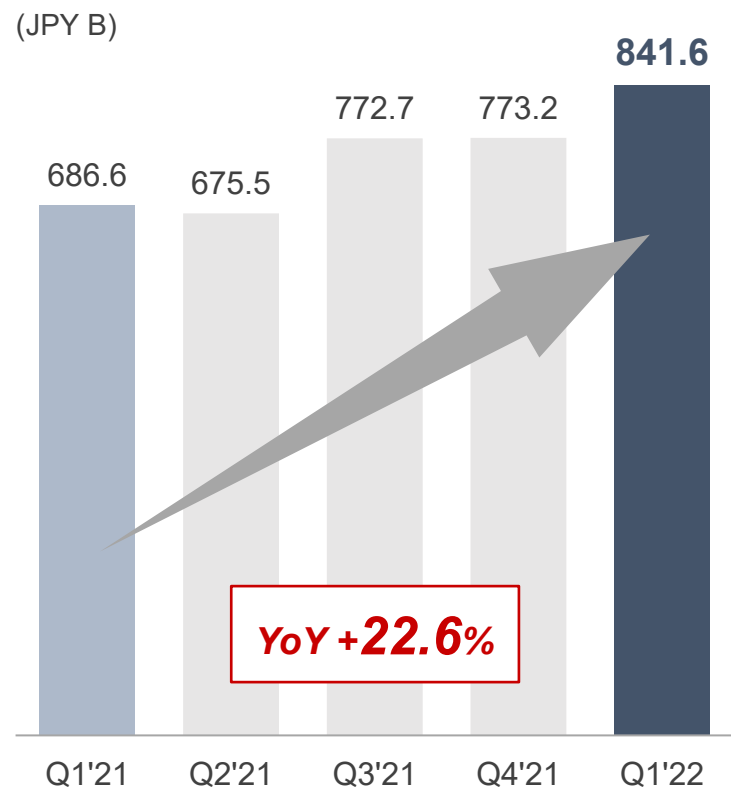


- PayPay GMV maintains high growth due to PayPay Atobarai (deferred payment).
- Various KPIs performed steadily due to strengthened collaborations with PayPay, which led to acquisition of PayPay users.

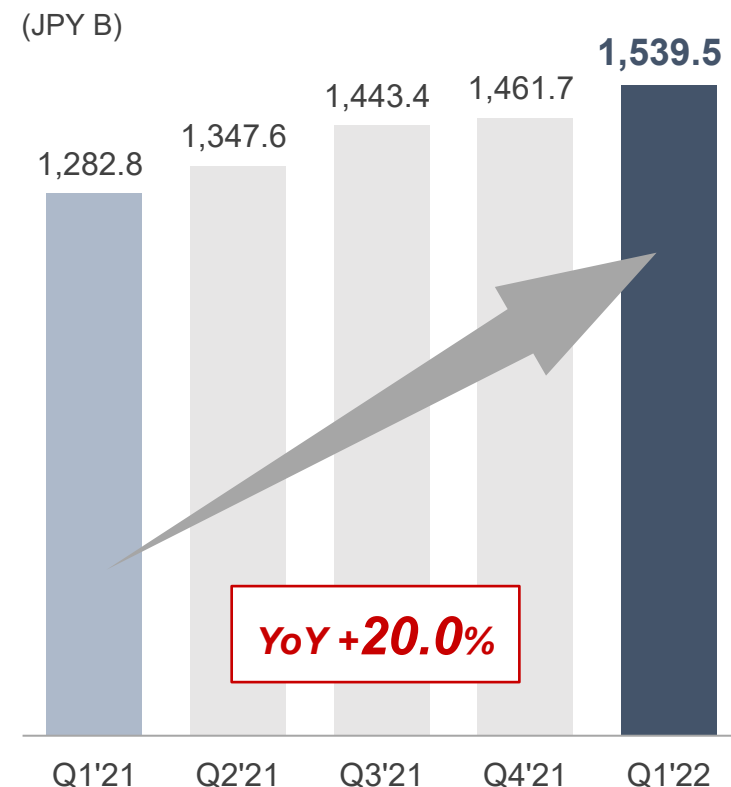
PayPay – GMV^{1,2}



PayPay Card – Transaction Volume²

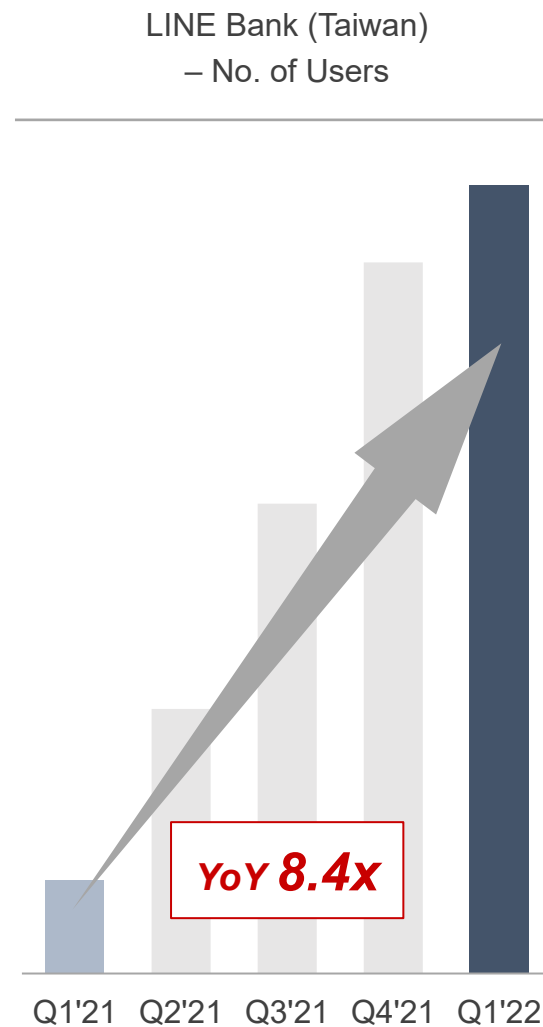
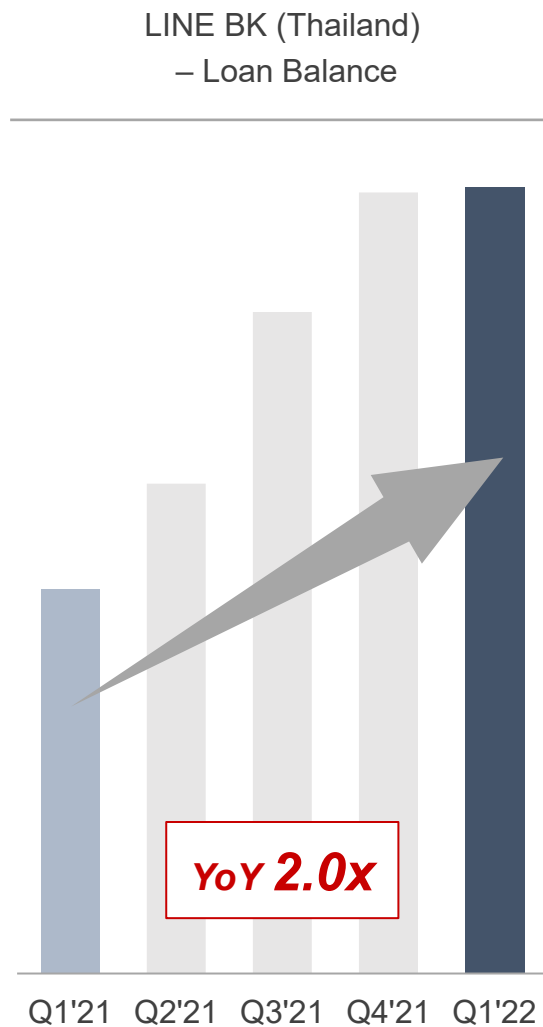
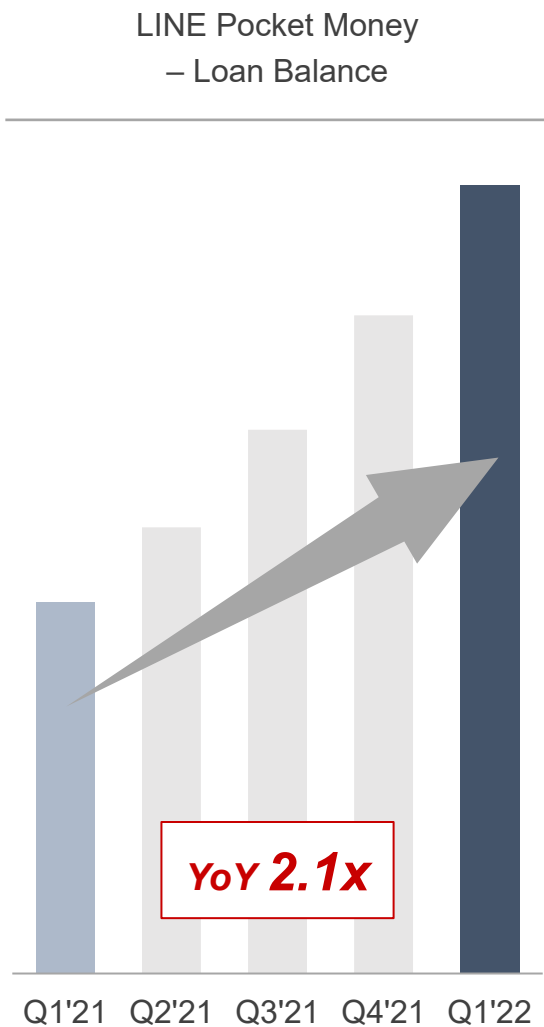
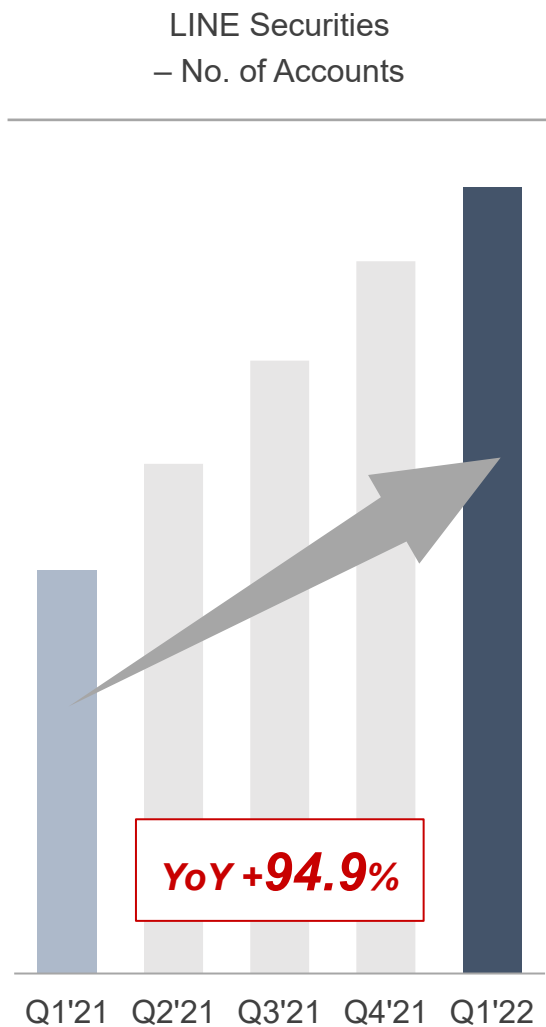


PayPay Bank – Deposit Balance



1. Figures from FY2021 Q4 onwards include payments via Alipay and LINE Pay.
 2. Includes GMV of PayPay Atobarai (deferred payment) launched in February 2022.

- Tapping into potential financial needs through LINE, both domestic & international financial businesses grew significantly.



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- Consolidation of PayPay is an income decrease factor that was not factored in at the beginning of the fiscal year, but will **aim to achieve adjusted EBITDA of JPY331.5 B – 340.0 B**.
- Impact of the consolidation on financial results other than adjusted EBITDA is being examined, and will be disclosed in a timely and appropriate manner as soon as it is determined.

Segment	Item	FY2021 Results	FY2022 Estimate	YoY
Whole Group	Revenue	JPY1.56 T	Approx. JPY1.72 T	Approx. +10%
	Adjusted EBITDA	JPY331.4 B	JPY331.5 to 340.0 B	+0.0 to 2.6%
Media Business	Advertising Revenue (LINE) ¹	JPY188.9 B	JPY204.0 to 215.3 B	+8.0 to 14.0%
	Advertising Revenue (Yahoo Japan) ²	JPY392.6 B	JPY403.8 to 427.3 B	+3.0 to 9.0%
	Adjusted EBITDA ¹	JPY266.1 B	JPY277.6 B	+4.3%
Commerce Business	E-Commerce Transaction Value ³	JPY3.83 T	JPY4.02 to 4.40 T	+5.0 to 15.0%
	Adjusted EBITDA ¹	JPY131.5 B	JPY136.1 B	+3.5%
Strategic Business	Fintech Revenue ¹	JPY114.2 B	JPY125.6 to 148.5 B	+10.0 to 30.0%
	Adjusted EBITDA ¹	Negative JPY12.8 B	Negative JPY41.7 B	-
Other/Adjustments	Adjusted EBITDA ¹	Negative JPY53.2 B	Negative JPY40.5 B	-

1. Results for FY2021 have not been retroactively adjusted.

2. Includes Shopping-related advertising revenue. Shopping-related advertising revenue is classified in Commerce Business.

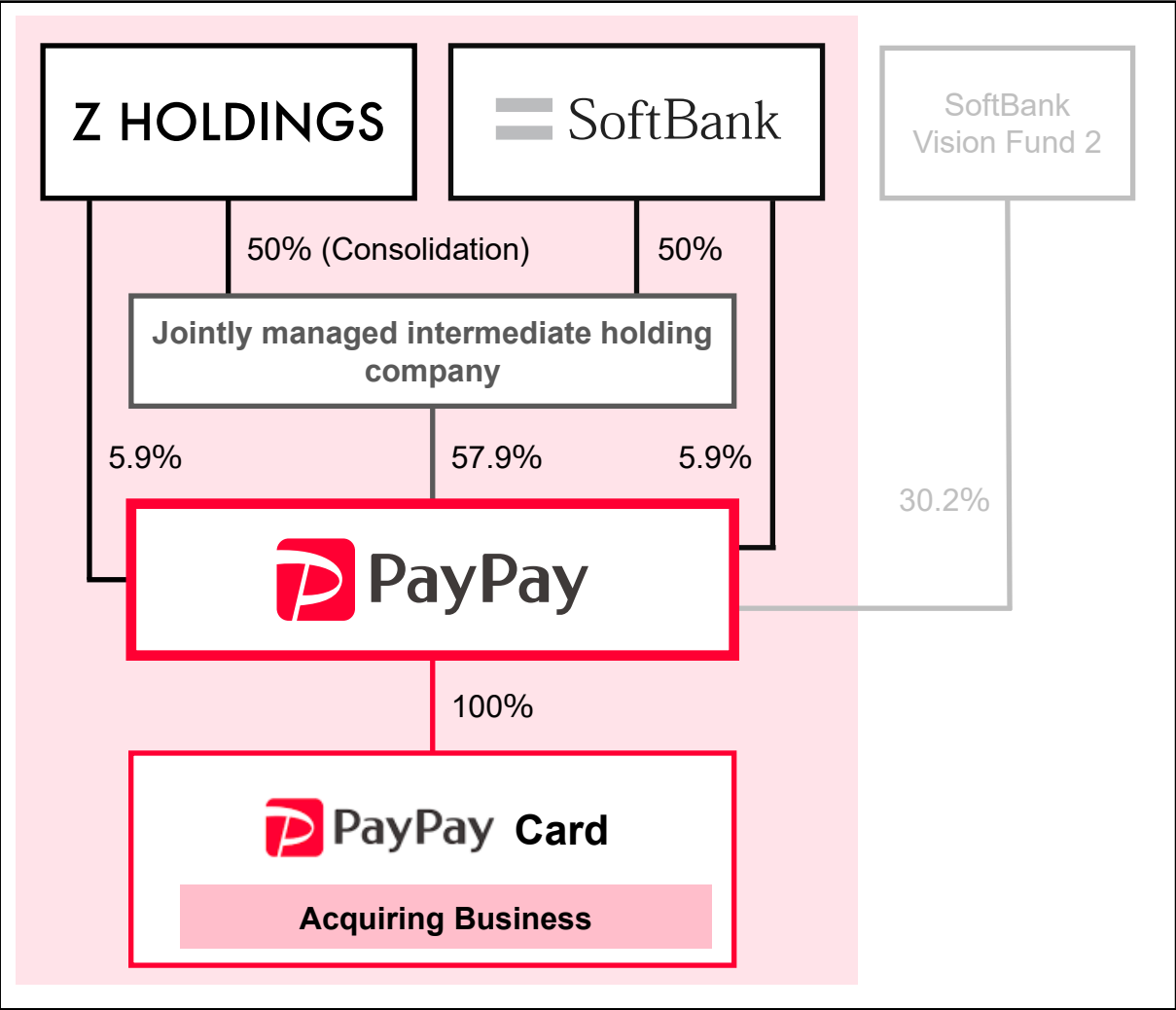
3. Domestic merchandise transaction value + domestic services transaction value + domestic digital content transaction value + overseas e-commerce transaction value. Overseas e-commerce transaction value included from FY2021. Please refer to page 26 of the Appendix for definition of overseas e-commerce transaction value.

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Overview

PayPay will be consolidated from October 2022

Capital Structure After Consolidation (Planned)¹



1

ZHD and SoftBank Corp. establish an intermediate holding company to **consolidate PayPay Corporation**

2

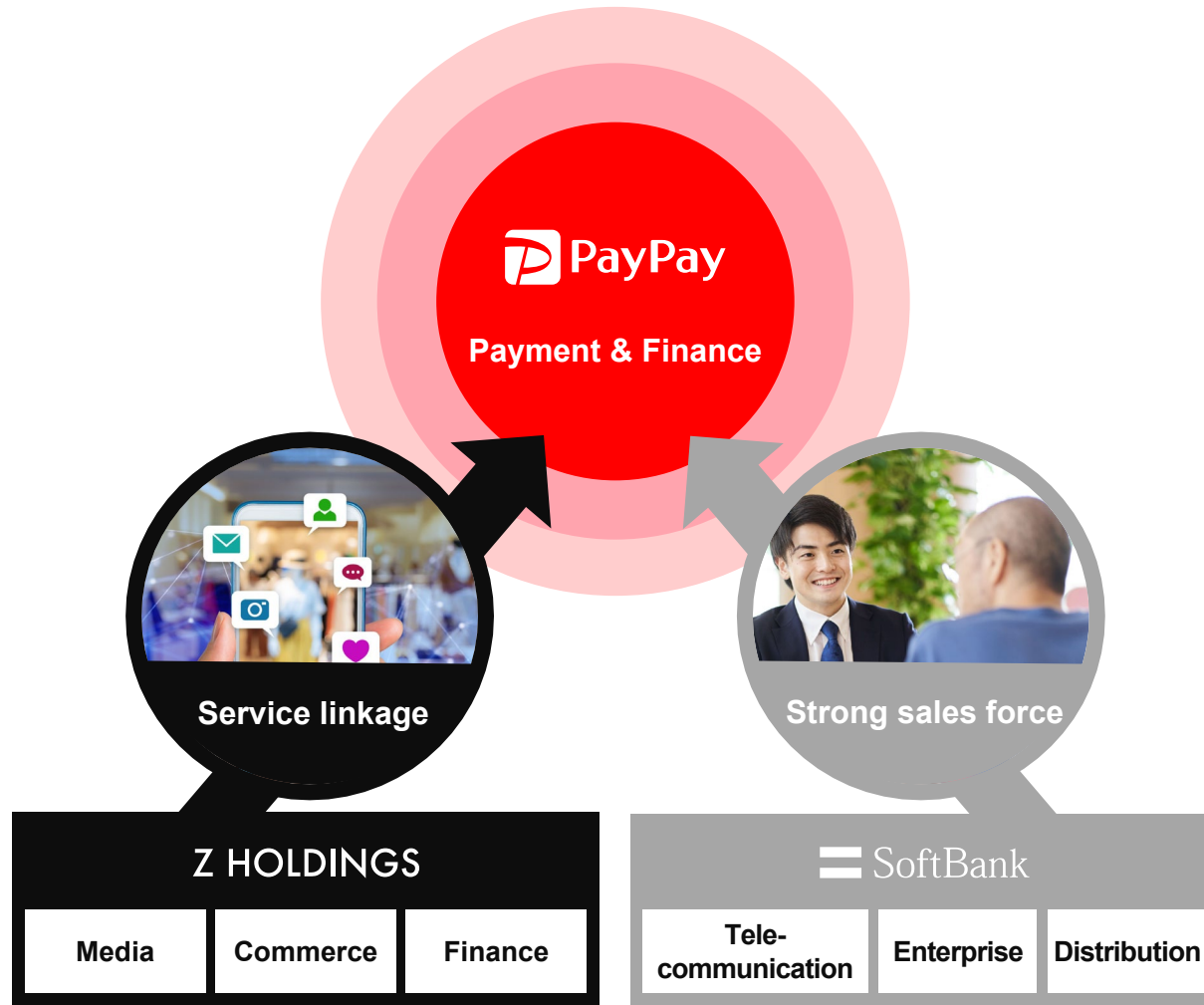
Transfer acquiring business from Yahoo Japan to PayPay Card

3

Transfer PayPay Card Corporation² currently under Yahoo Japan to PayPay

1. Figure before exercise of Paytm's stock options 2. Consideration to be paid in cash. Amount undisclosed.

Maximize growth of payment & financial businesses together with SoftBank Corp.



<Before>

Investment by each party
bringing in individual strengths



<Future>

Build a structure
to maximize synergies

PayPay's Growth Trajectory and Acceleration of Monetization

In approx. 3 yrs. & 9 mos. since service launch, achieved explosive growth through investments

PayPay GMV/No. of payments: approx. 2/3 of market

Cumulative No. of Registered Users

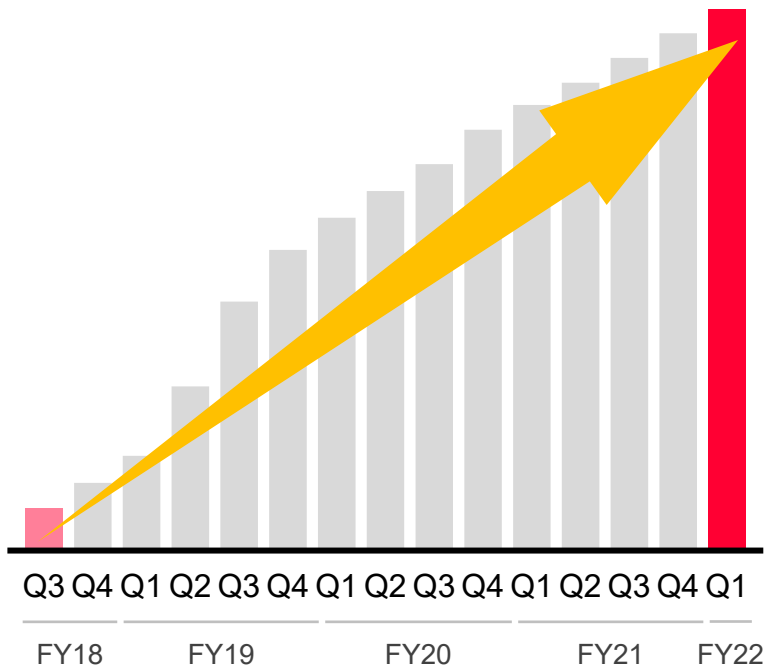
48.65 mil

PayPay GMV^{1,2}

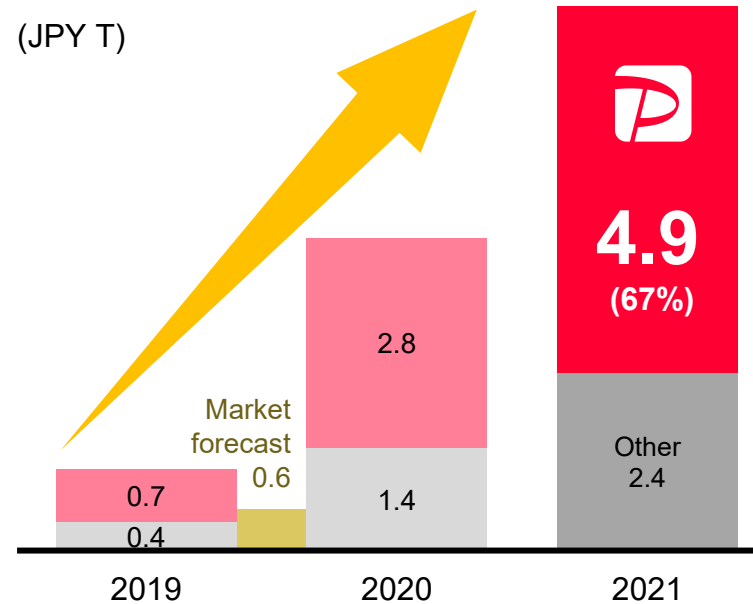
JPY4.9 T

No. of PayPay Payments¹

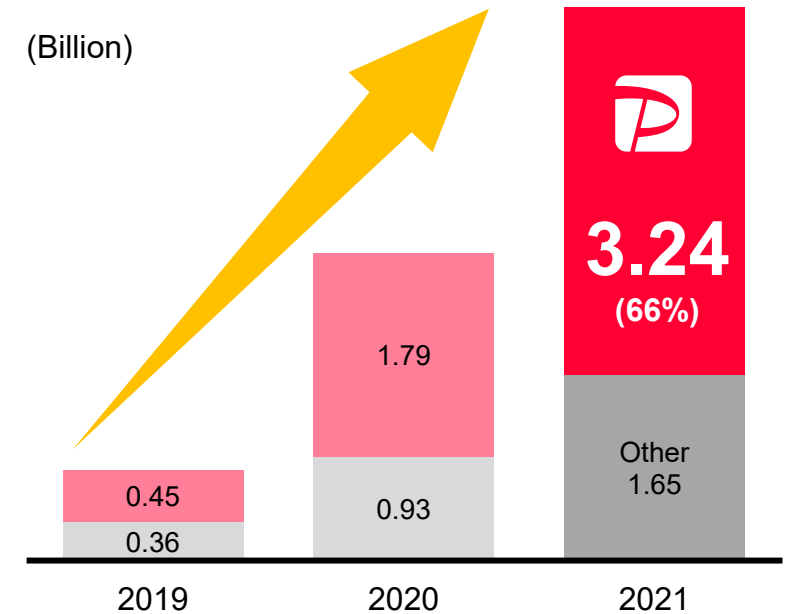
3.24 B



(JPY T)



(Billion)

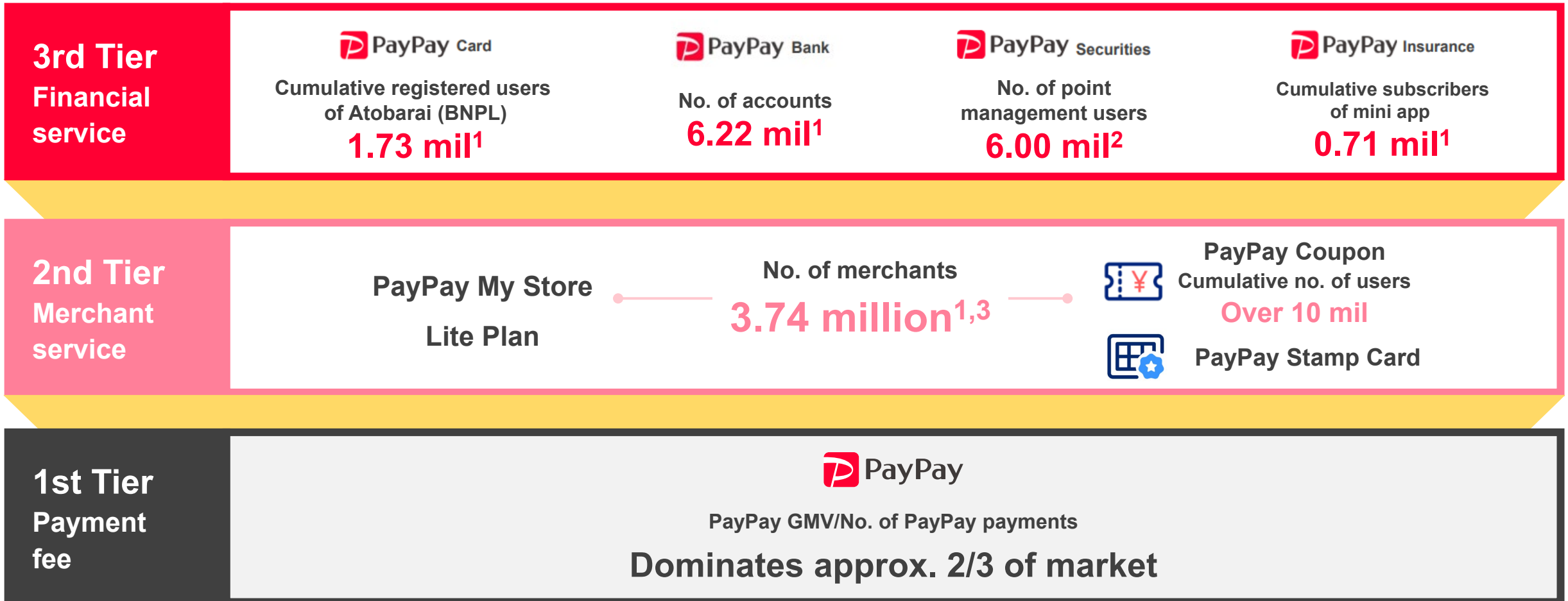


1. STATS – CODE PAYMENT (June 5, 2022) released by Payments Japan Association

2. Market forecast from: Survey on Domestic QR Code Payment Market (November 9, 2018) released in MDB Digital Search Promising Market Forecast Report by JMA Research Institute Inc. Market forecast of JPY0.6 T is for FY2019.

PayPay – moving on to monetization phase

Through consolidation, further accelerate monetization in 2nd and 3rd tiers

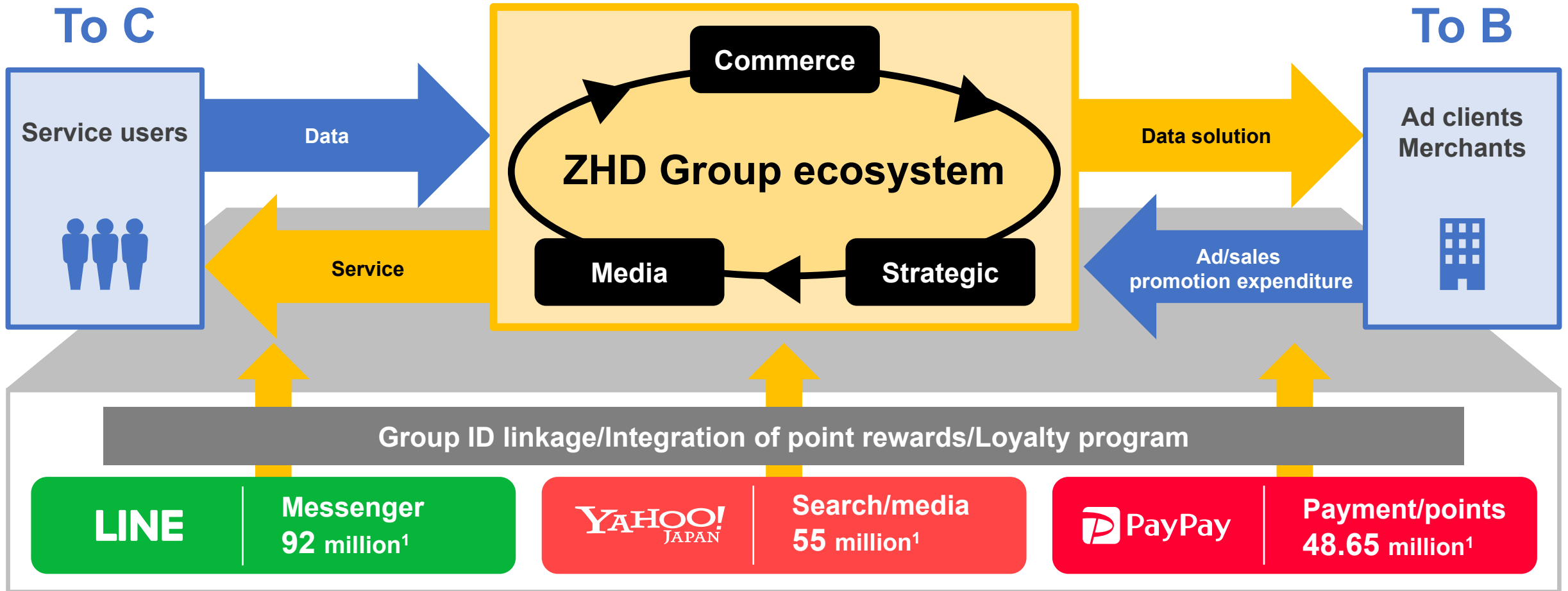


1. As of June 30, 2022 2. As of March 2022 3. Cumulative number of PayPay registered locations (e.g., stores, taxis, etc.)

Synergies from Consolidation of PayPay

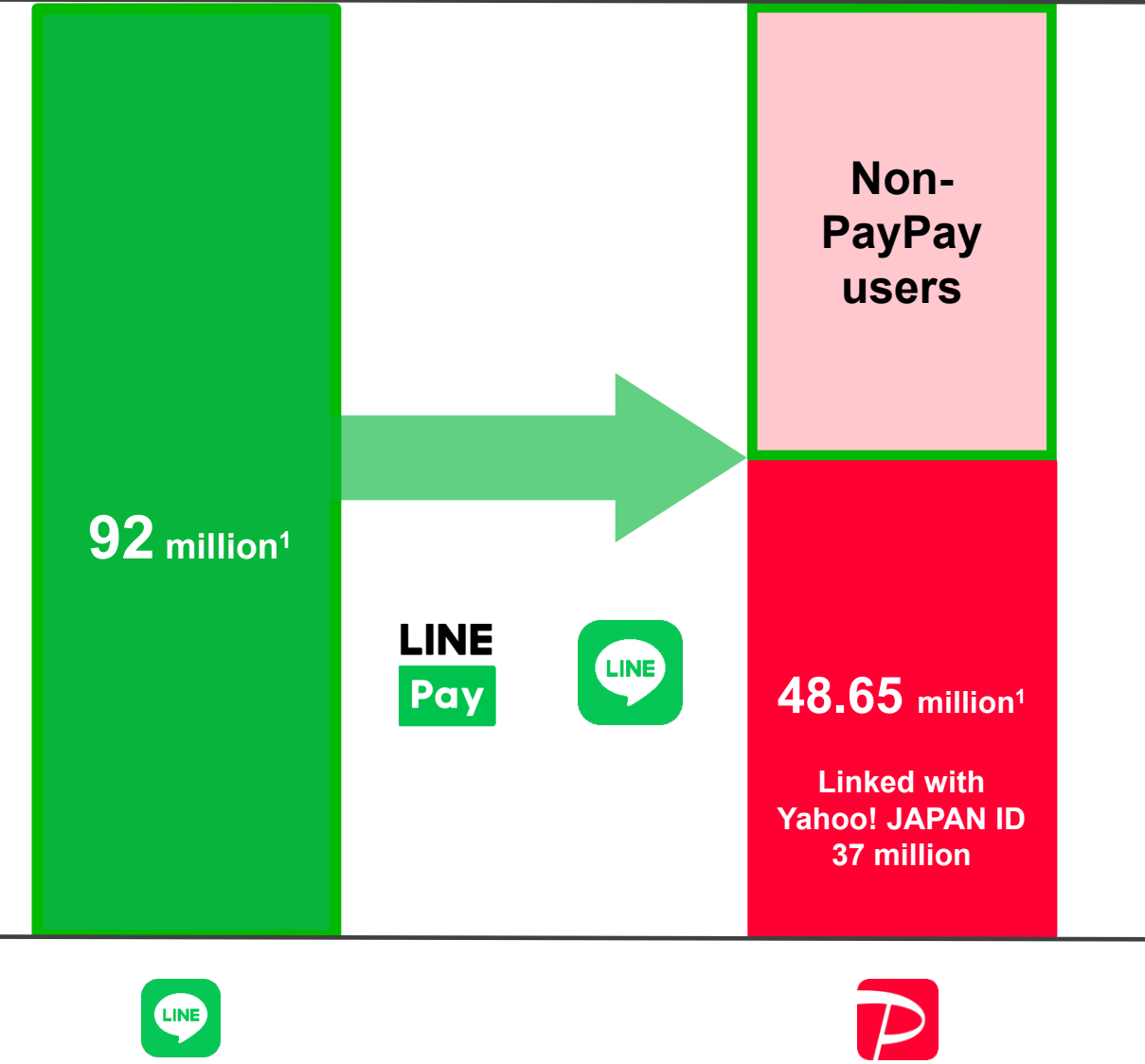
Overall strategy of the ZHD Group

Leveraging an unparalleled user base, expand “To C” & “To B” ecosystems



1. As of June 30, 2022. LINE - Monthly Active Users. Yahoo Japan - Number of Monthly Logged-in User IDs. PayPay - Cumulative PayPay Registered Users

Nurturing PayPay to a service used by everyone in Japan



Maximize user base through linkage with LINE

- 1** Linkage with LINE Pay (Linkage in QR code payment)
- 2** Integration of point rewards
- 3** ID linkage

1. As of June 30, 2022

ID linkage of LINE, Yahoo! JAPAN, PayPay¹ will enable

PayPay ecosystem to cover almost all Internet users in Japan

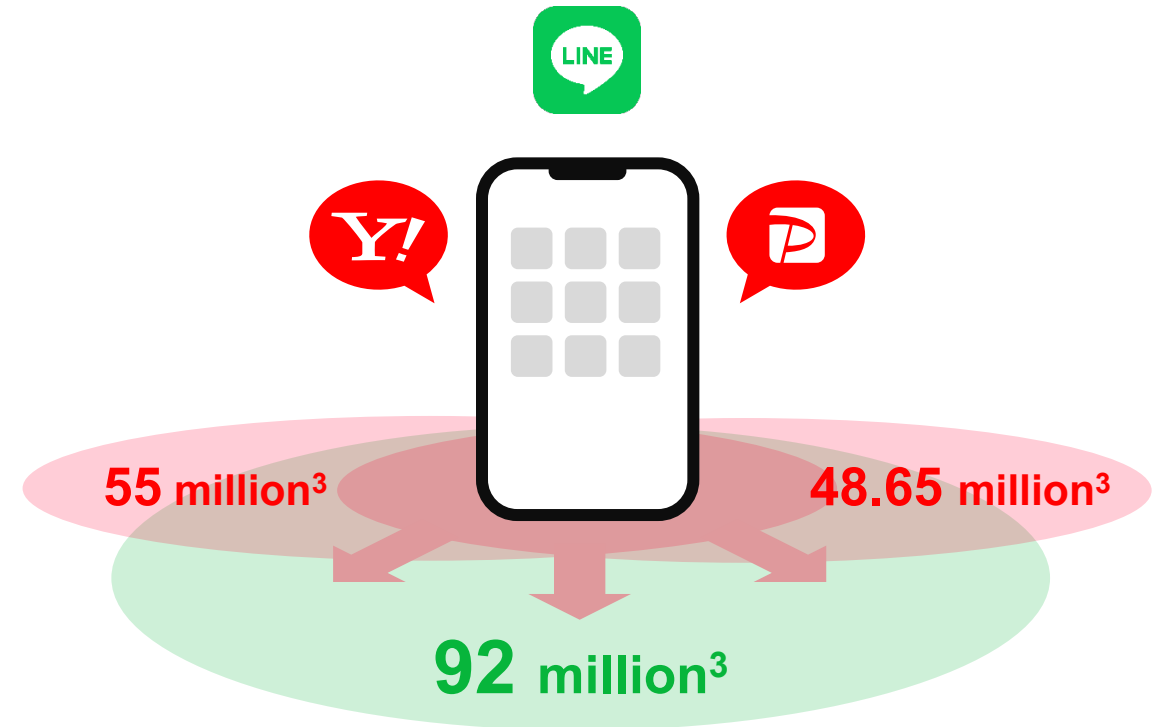
<Now>

Y-P IDs 77%² linked



<Future target>

L-Y-P IDs 80%² linked



Introduce Group services to PayPay user/merchant bases to develop new markets & maximize revenue opportunities

Approaches “To C”

1 Commerce

2 Finance (Bank/credit card/
securities/insurance)

3 Crypto assets

 PayPay

User base
48.65 mil¹

Merchant
base
3.74 mil^{1,2}

Approaches “To B”

4 Sales promotion

5 E-commerce

6 Finance (Factoring, loan, etc.)

7 Recruitment (Digital payroll)

Collaborations

LINE

YAHOO!
JAPAN

1. As of June 30, 2022

2. Cumulative number of PayPay registered locations (e.g., stores, taxis, etc.)

1 To C: Commerce

**Aim to have users in PayPay ecosystem choose
Yahoo! JAPAN Shopping as first choice online shopping platform**

Enhance awareness as EC platform that earns the most points

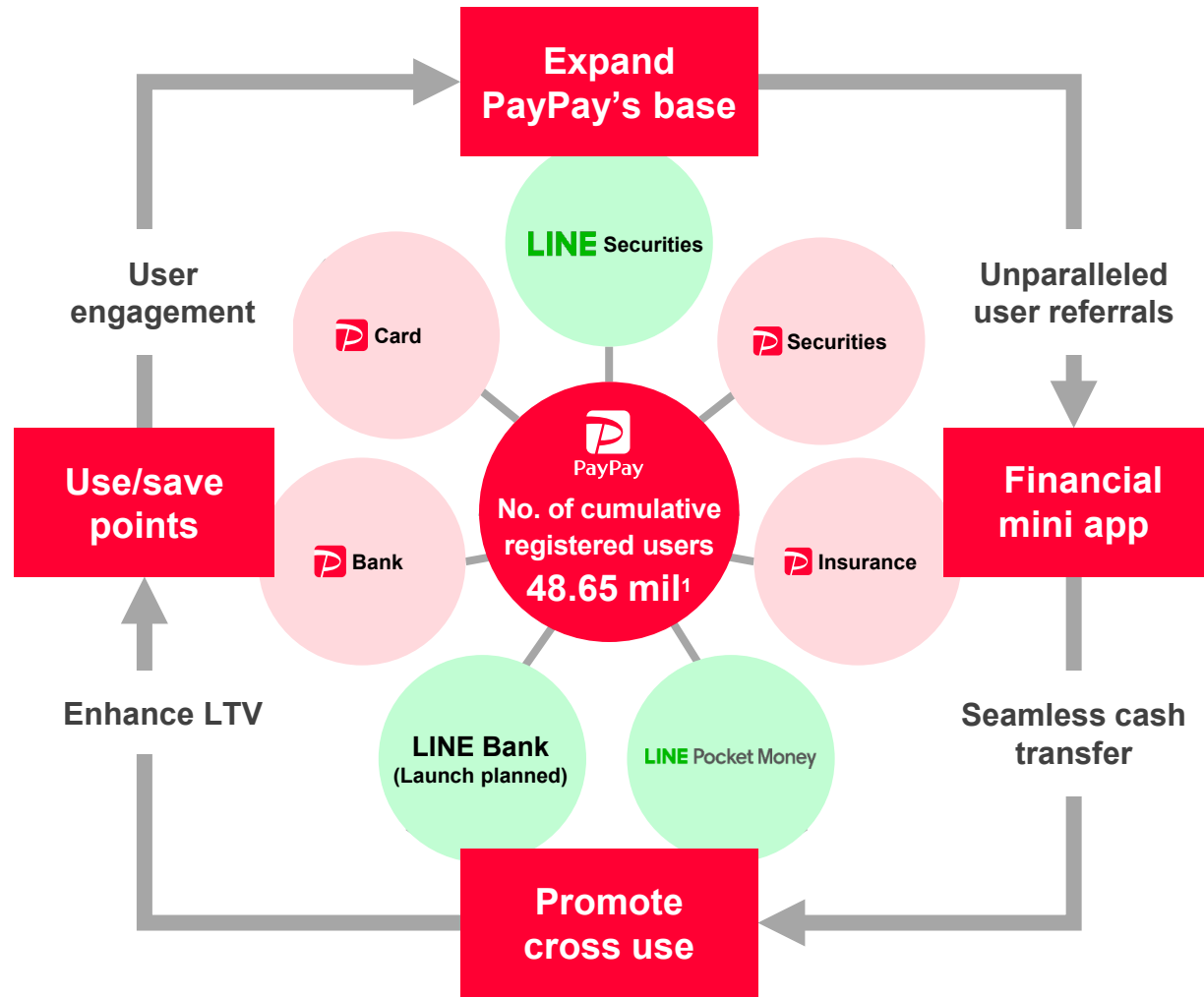


YAHOO!
JAPAN Shopping

**Aim to double
annual buyers**

Reinforce PayPay ecosystem by increasing amount of points issued

PayPay/LINE financial ecosystem around PayPay



Medium term target: Triple card holders

3 To C: Crypto assets

Develop new market by linking crypto assets/NFT with payment

LINE Xenesis



LINE Blockchain

Crypto assets

LINE BITMAX

NFT

LINE NFT

Purchase crypto assets at PayPay

Pay with crypto assets at PayPay merchants

Consider adding crypto assets course to PayPay's "Earn Points"

Launch NFT Market mini app in PayPay

PayPay

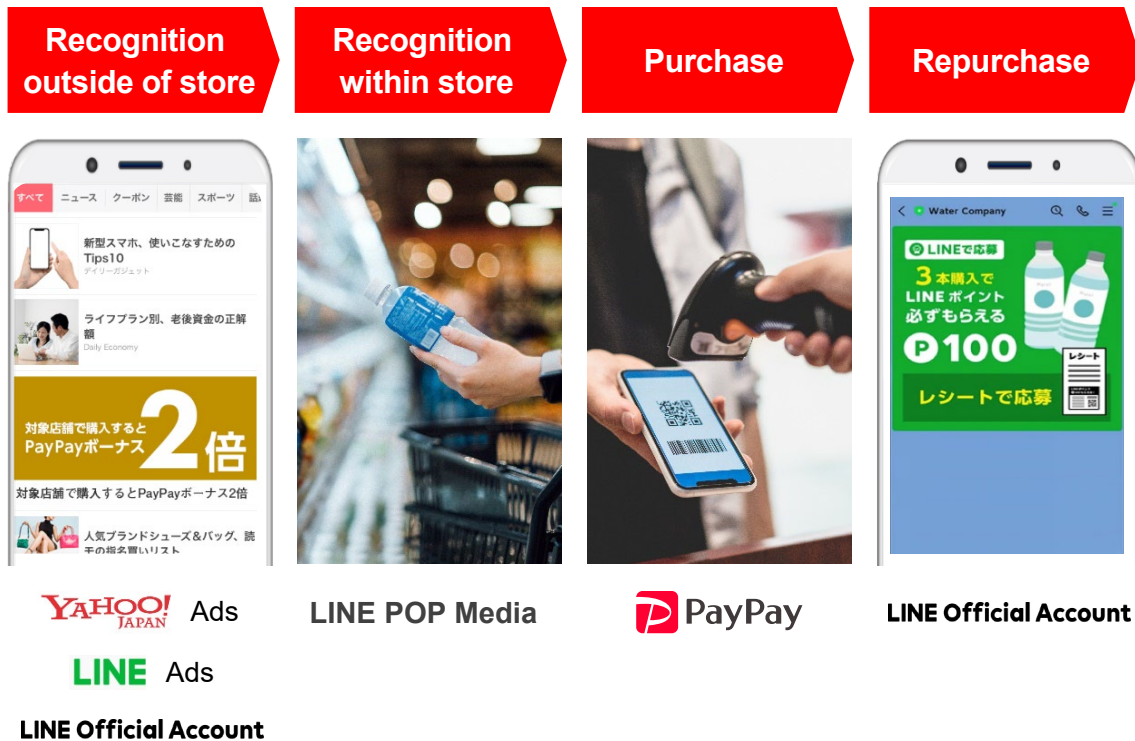


4 To B: Sales promotion

Aim to have a revenue size of JPY100 B by digitalizing sales promotion

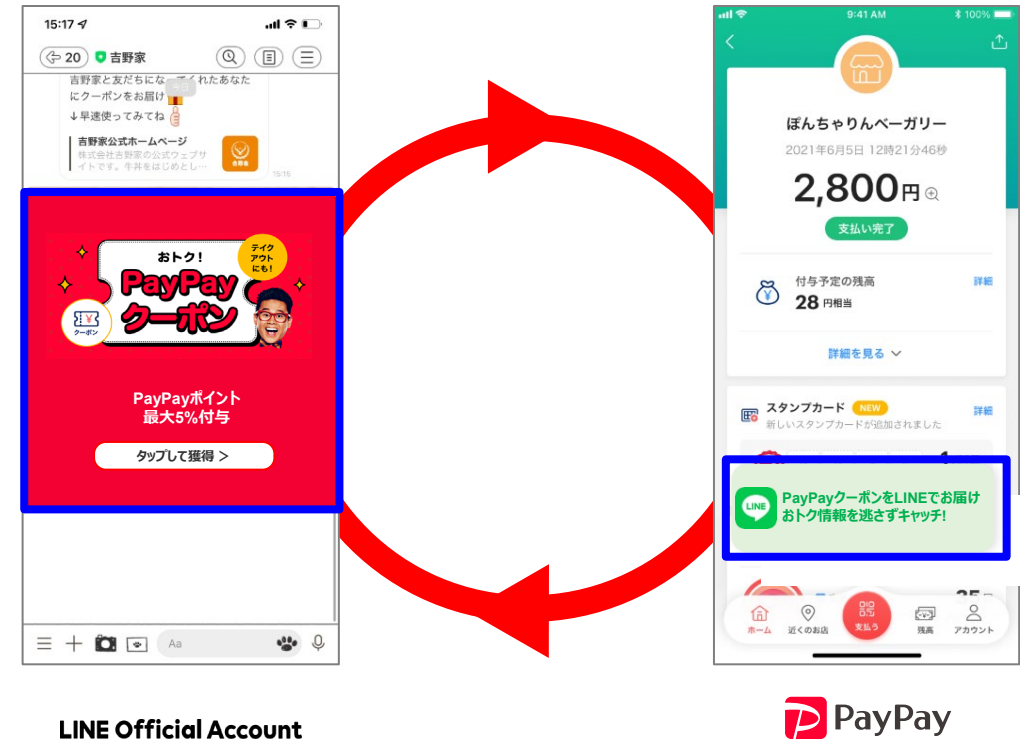
For Manufacturers

Promote reach outside/within stores, purchase, and repurchase



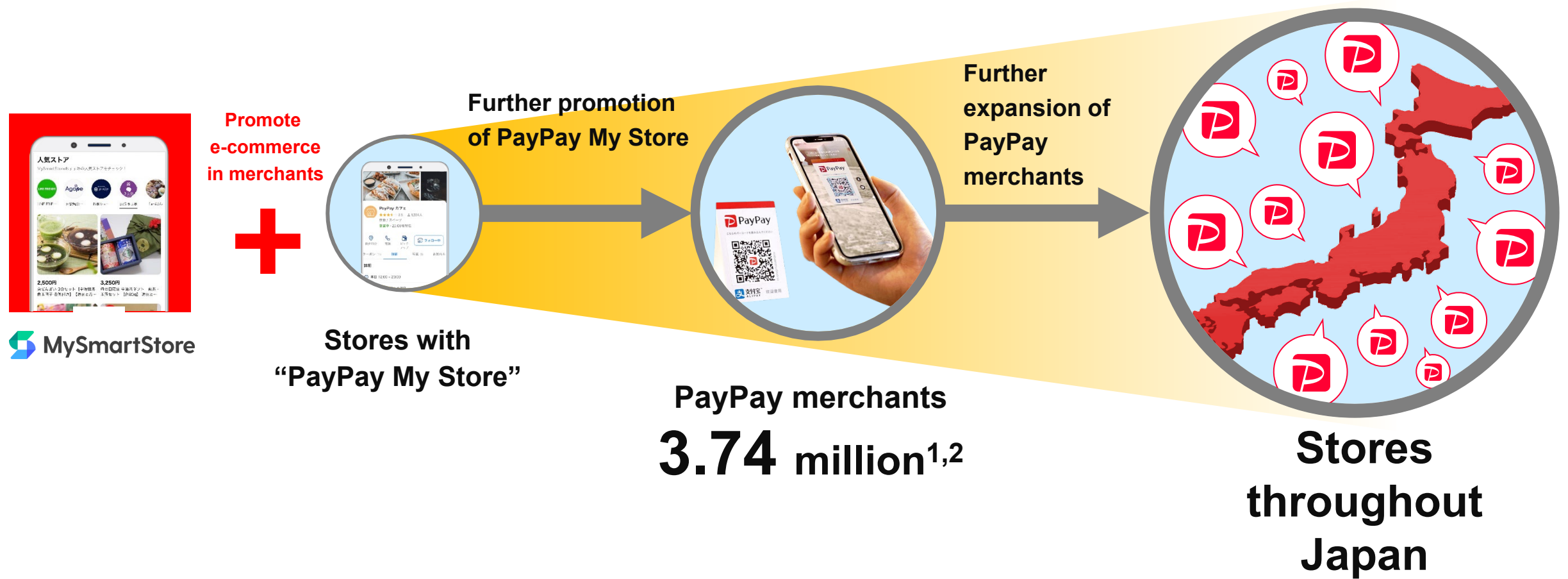
For PayPay Merchants

Maximize no. of users/transaction value through referrals from LINE Official Account



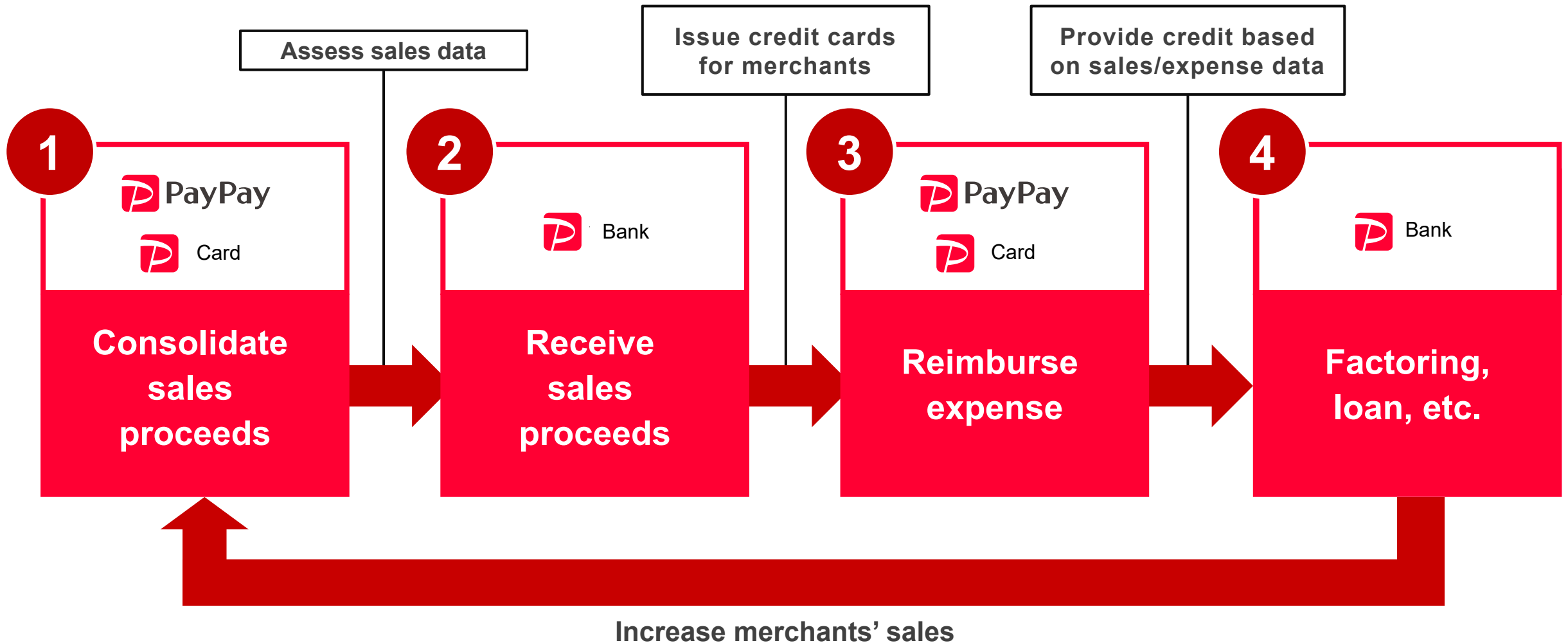
5 To B: Introducing e-commerce

Introduce e-commerce to PayPay merchants in conjunction with MySmartStore



1. As of June 30, 2022 2. Cumulative number of PayPay registered locations (e.g., stores, taxis, etc.)

Provide comprehensive financial services to PayPay merchants



Maximize Group synergies/expand revenue

through collaborations among ZHD’s business domains that have one of Japan’s largest user base

Media

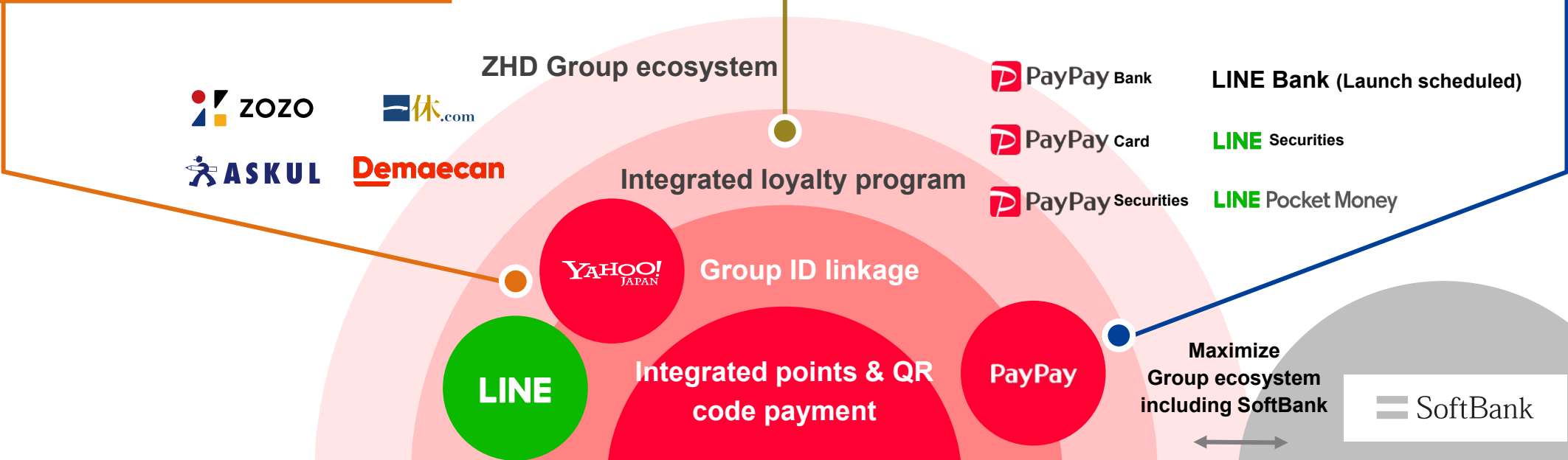
- In medium term, **bring ID linkage rate to 80%**, and increase ad unit price by **+5-15%**
- **Add on JPY100 B in revenue by digitalizing sales promotion market**

Commerce

- **Promote cross use with PayPay to double buyers in Yahoo! JAPAN Shopping**

Strategic

- **Build PayPay & LINE’s financial ecosystem**
- **Triple credit card holders**
- **Aim to make Strategic Business Segment profitable (in terms of EBITDA) within a few years**



Statements made at the meeting or included in the documents that are not historical facts are forward-looking statements about the future performance of Z Holdings Corporation (Company, Z Holdings, ZHD) and its consolidated subsidiaries and affiliates.

The Company cautions you that a number of important factors could cause actual results to differ materially from those discussed in the forward-looking statements.

Such factors include, but are not limited to, the items mentioned in “Risk Factors” in “Consolidated Financial Statements and Independent Auditor’s Report” (Japanese only). Unauthorized use of the information or the data in this document is not permitted.

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Z HOLDINGS

**Unleashing the infinite potential of all people,
with the power of information technology**