

# **Z Holdings Corporation Business Results**

## **FY2022 Full Year & Q4**

**April 28, 2023**

**Z HOLDINGS**

**Revenue & adjusted EBITDA renewed record high for 3 consecutive years.**  
**Operating income also increased 4 consecutive years, marking a record high: JPY314.5 B.**

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FY2022

- **Account ad revenue** maintained **double-digit growth** despite weak ad market.
- **PayPay** grew significantly: **standalone registered users reached 56.64 mil (YoY+21.1%); consolidated GMV exceeded JPY10 T.**

FY2023

- **New trade name: LY Corporation**; scheduled merger date: **October 1, 2023.**
- **Begin ID linkage at the same timing as the merger.** Upgrade premium membership benefits.
- **Reinforce media/search** domains making maximum use of LINE and PayPay's strengths.
- Aim for **double-digit income growth** through **fixed cost reduction** in the scale of JPY30 B and **selective focus in key businesses.**

**1** **FY2022 Results**

**2** **FY2023 Management Policy/Outlook**

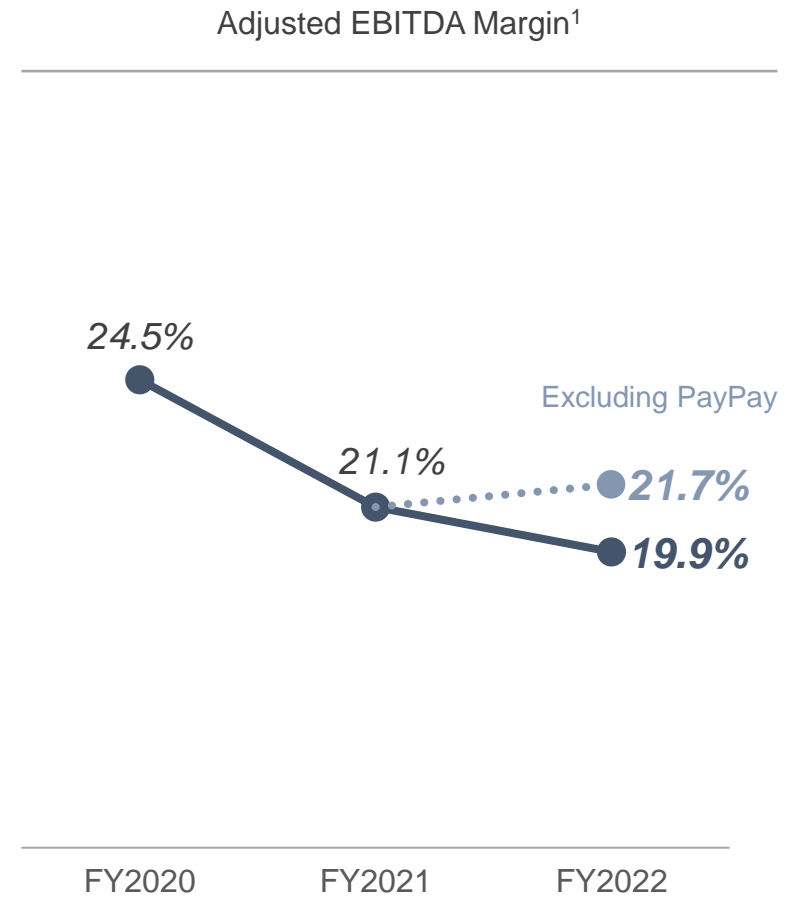
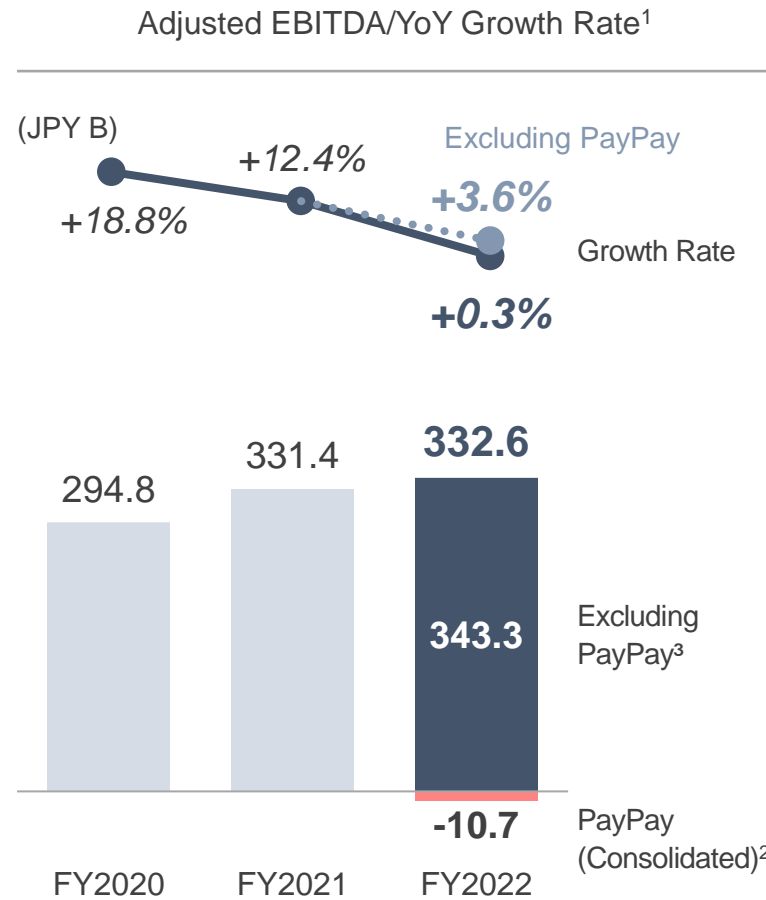
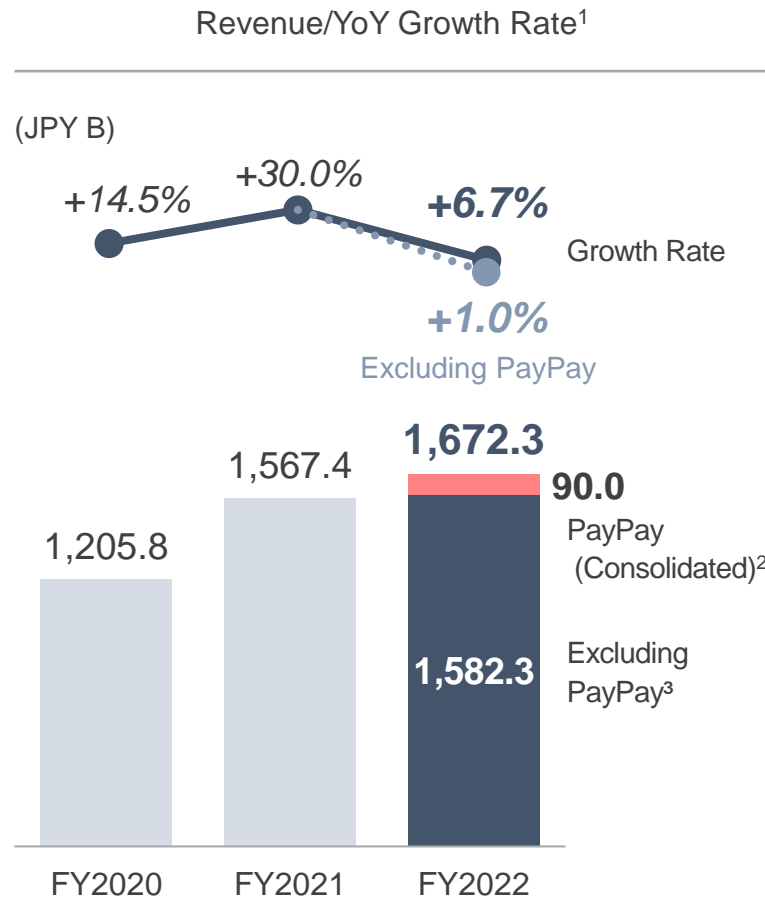
**1**

**FY2022 Results**

**2**

**FY2023 Management Policy/Outlook**

- Record high revenue: JPY1.67 T.
- Adjusted EBITDA exceeded guidance despite deteriorated market conditions and impact of PayPay consolidation.



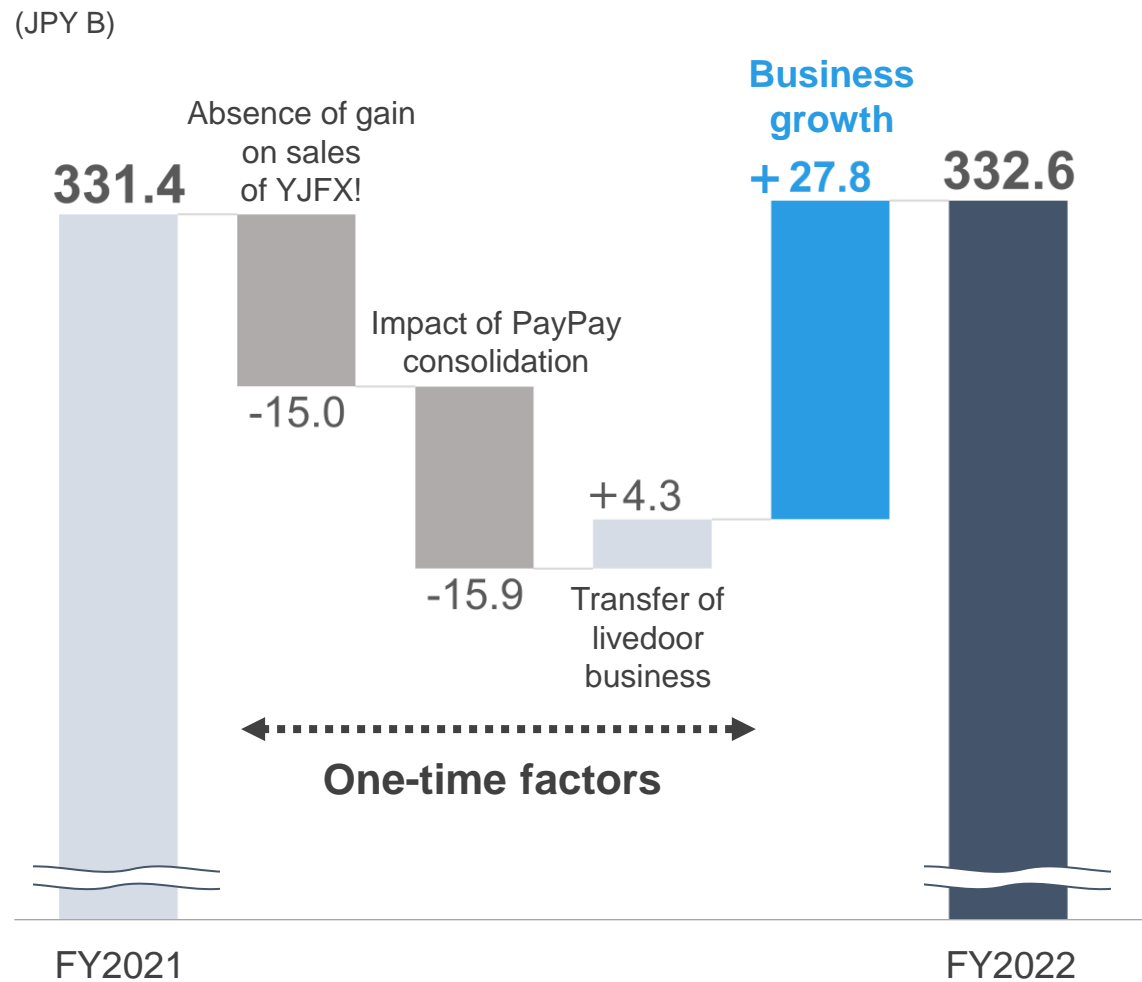
1. LINE Corporation's figures added from FY2020 Q4, due to the business integration between Z Holdings Corporation and LINE Corporation in FY2020 Q4.

2. PayPay's consolidated figure (includes PayPay Corporation and PayPay Card Corporation. Figures after elimination of internal transactions between the two companies.). Independently calculated by Z Holdings by making relevant IFRS adjustments. Unaudited.

3. Figures for PayPay Card Corporation are included in "Excluding PayPay" for FY2020, FY2021, and FY2022 H1, and in "PayPay Consolidated" for FY2022 H2.

- **Income increased; covered negative one-time factors through cost optimization, etc.**

Factors of Change in Adjusted EBITDA



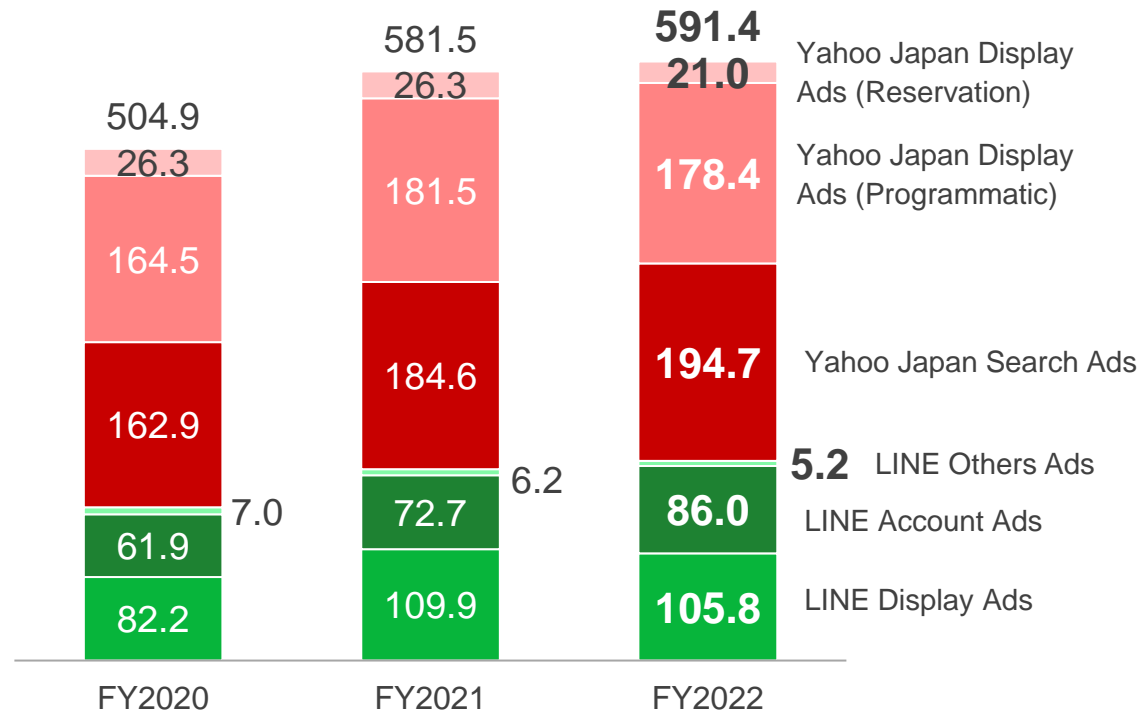
Major Factors of Change (JPY B)

<b>Media</b>	• Impact of revenue increase, etc.	+2.2
	• Increase in SG&A	-4.8
	• Transfer of livedoor business	+4.3
<b>Commerce</b>	• Impact of revenue increase, etc.	+3.5
	• Improvement in SG&A	+8.8
	• ZOZO	+8.4
	• ASKUL	+1.5
<b>Strategic</b>	• Impact of revenue increase, etc.	+1.5
	• Increase in SG&A	-2.7
	• Absence of gain on sales of YJFX!	-15.0
	• Impact of PayPay consolidation	-15.9
<b>Other/ Adjustments</b>	• Improvement in SG&A, etc.	+9.4
<b>Total</b>		<b>JPY1.2 B</b>

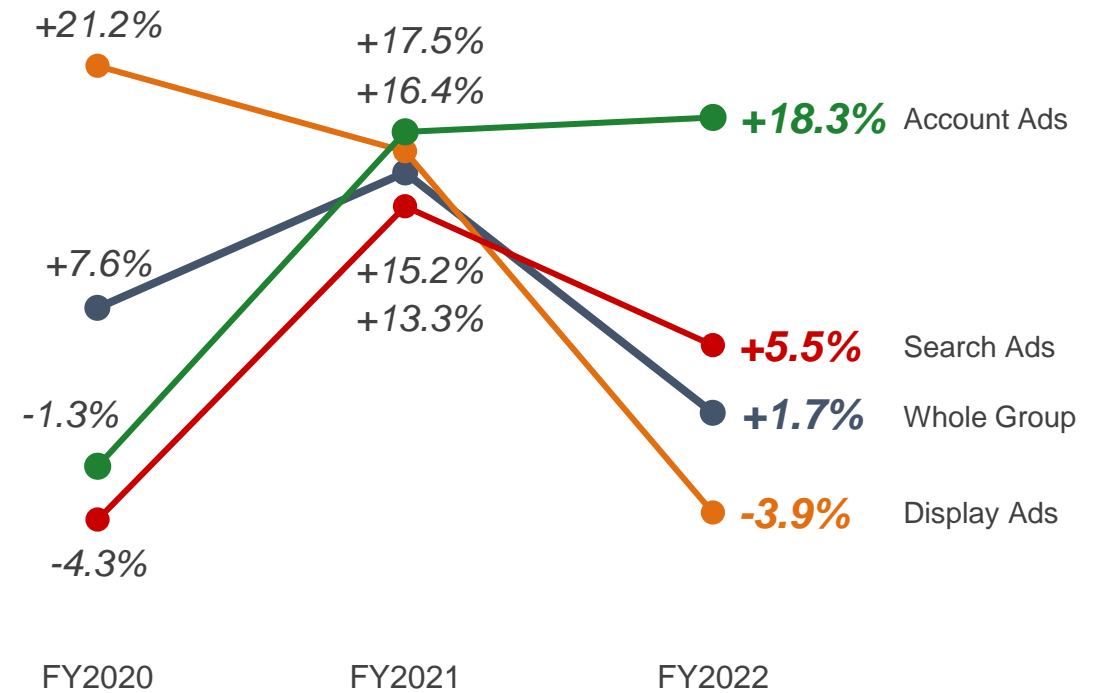
- Search ads remained stable; account ads maintained high growth.
- Revenue decreased in display ads resulting from weak commerce ads due to cost optimization, and decreased ad placements.

Whole Group – Advertising Revenue<sup>1</sup>

(JPY B)



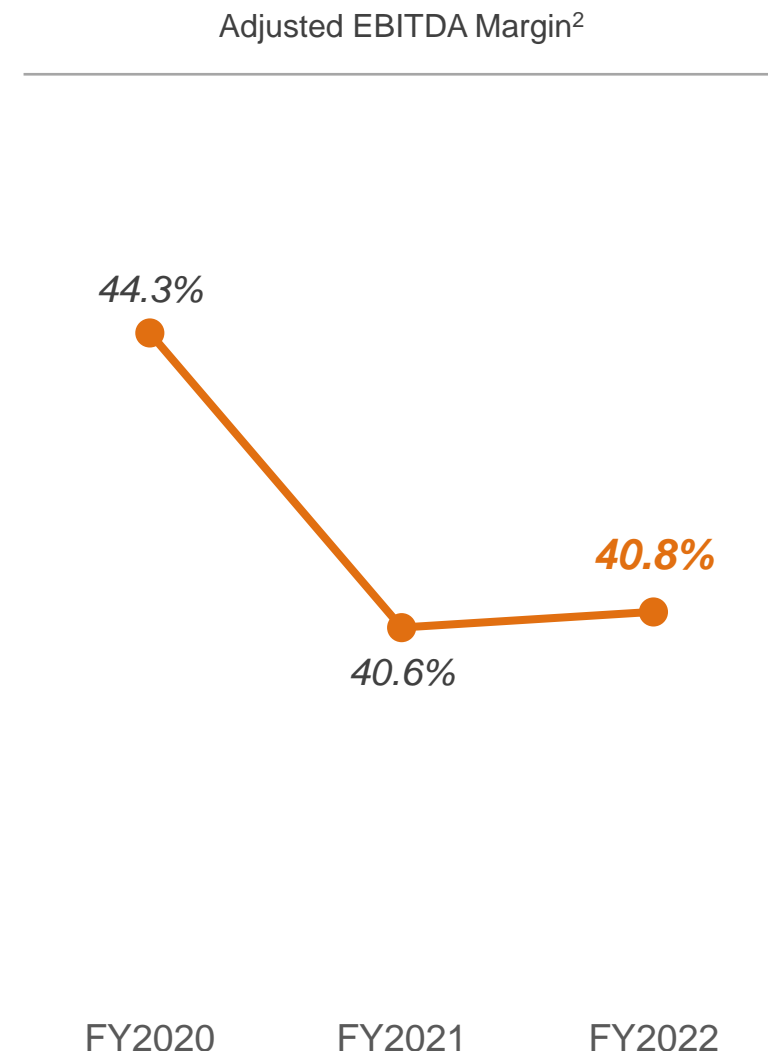
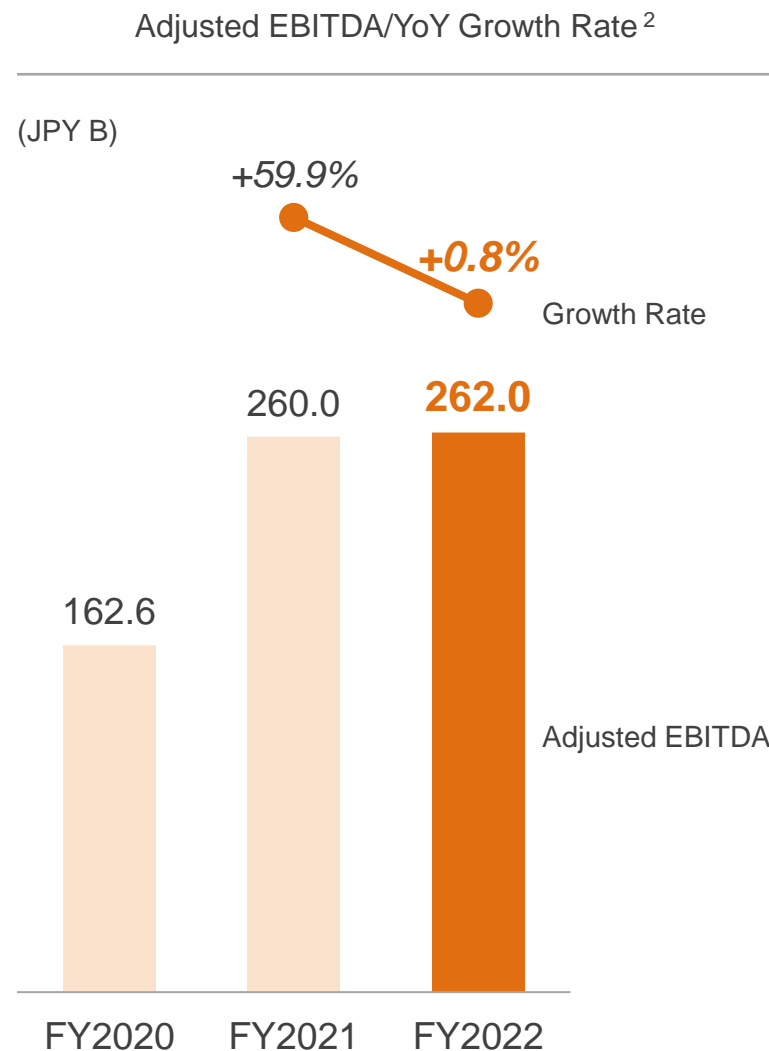
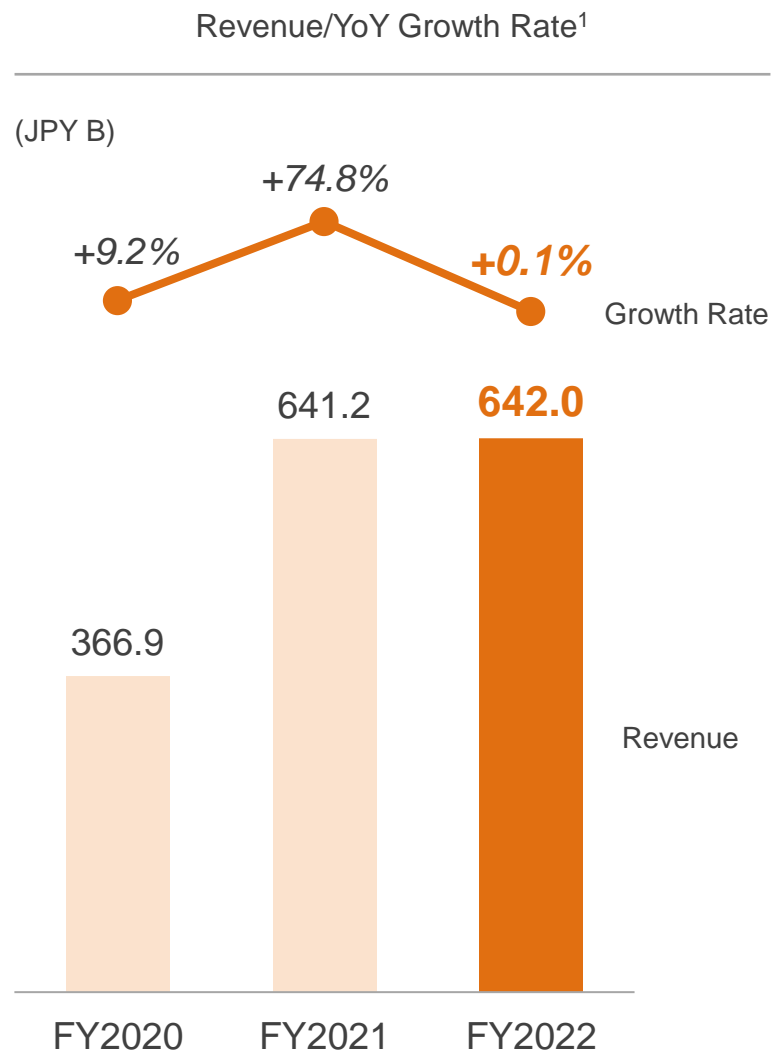
Whole Group -- Advertising Revenue YoY Growth Rate<sup>1,2</sup>



1. From FY2022 Q1, LINE Corporation’s services that had been recorded in Adjustments have been transferred to each business segment. Total advertising revenue of LINE Corporation has been retroactively adjusted from FY2021 Q1.

2. Total advertising revenue of LINE Corporation was added to calculate growth rates due to business integration between Z Holdings Corporation and LINE Corporation in FY2020 Q4.

- Adjusted EBITDA margin improved due to restraint in marketing cost, etc.

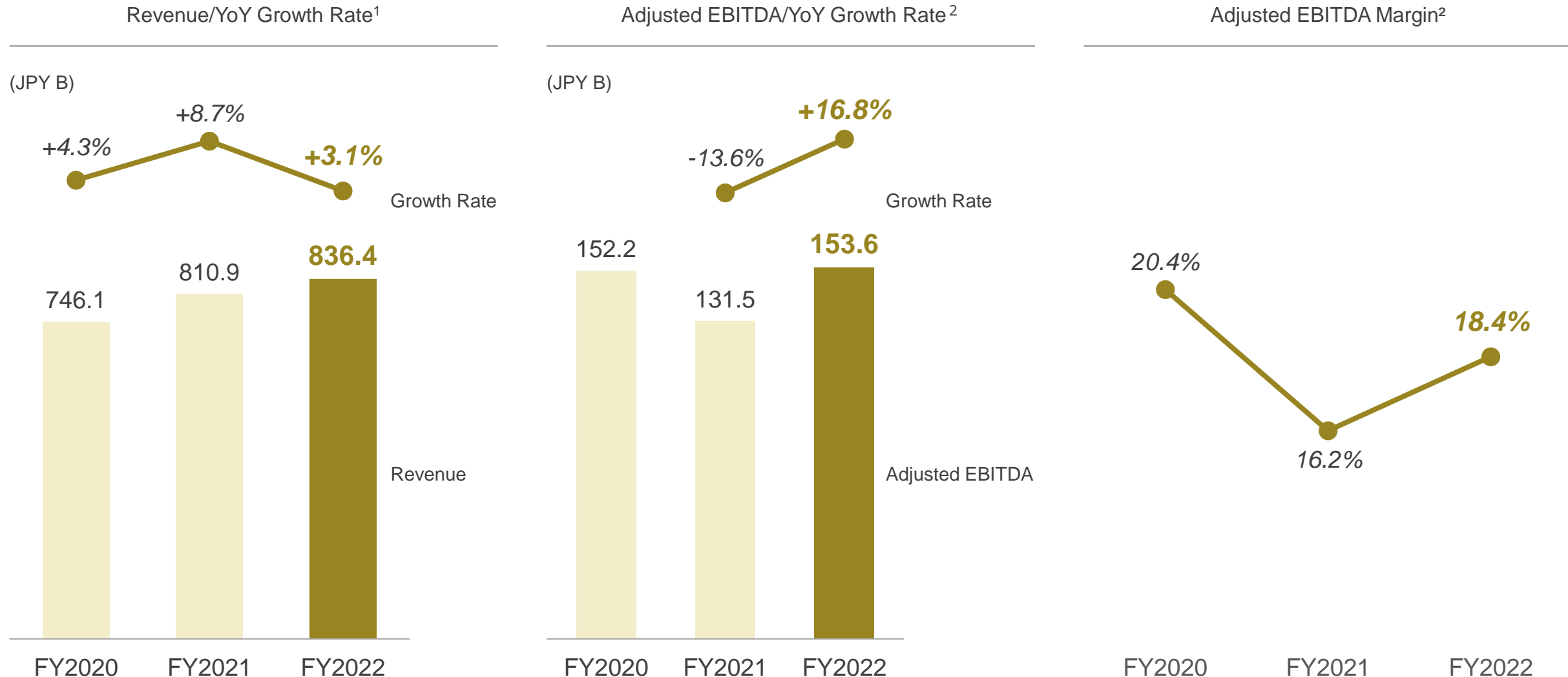


1. LINE Corporation's figures added from FY2020 Q4, due to the business integration between Z Holdings Corporation and LINE Corporation in FY2020 Q4.

2. Adjusted EBITDA margin noted for FY2020 onwards, and adjusted EBITDA growth rate for FY2021 onwards, due to the change in management index to adjusted EBITDA from FY2021.



- Significant improvement in profitability due to shift to a policy of balancing growth and profitability.



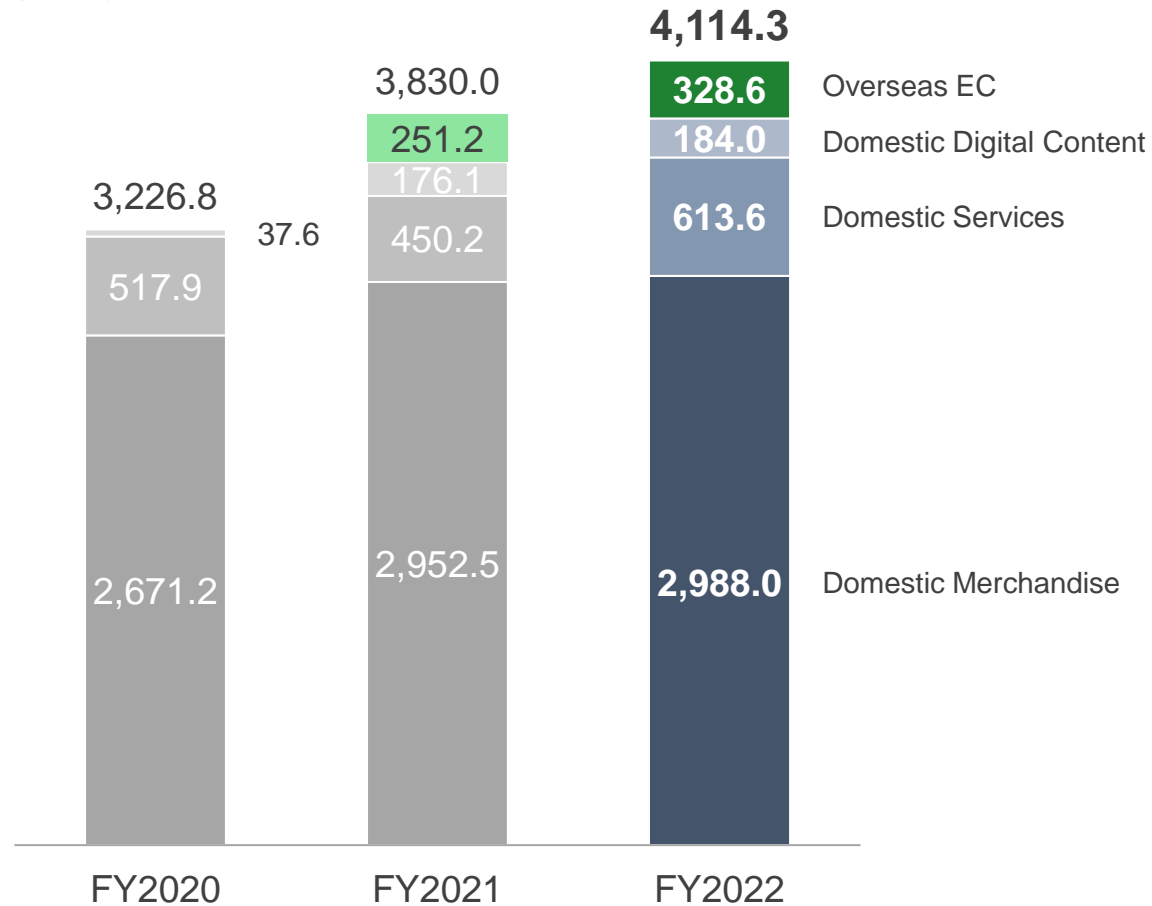
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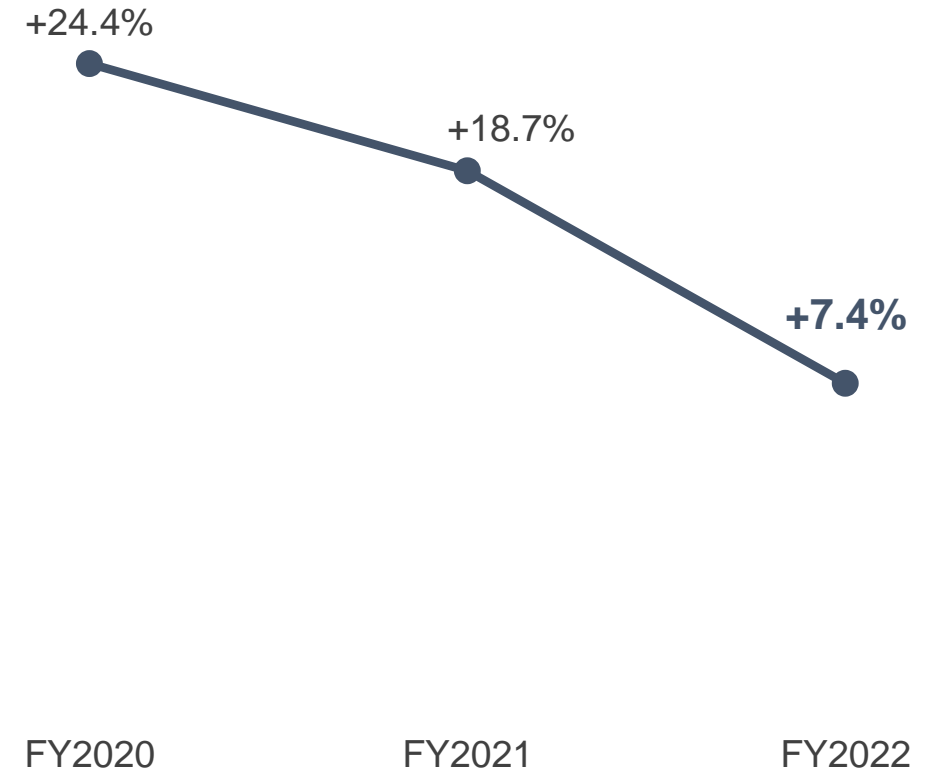
- Domestic services grew due to economic reopening, and reuse business achieved stable growth.

Group EC Transaction Value<sup>1,2</sup>

(JPY B)

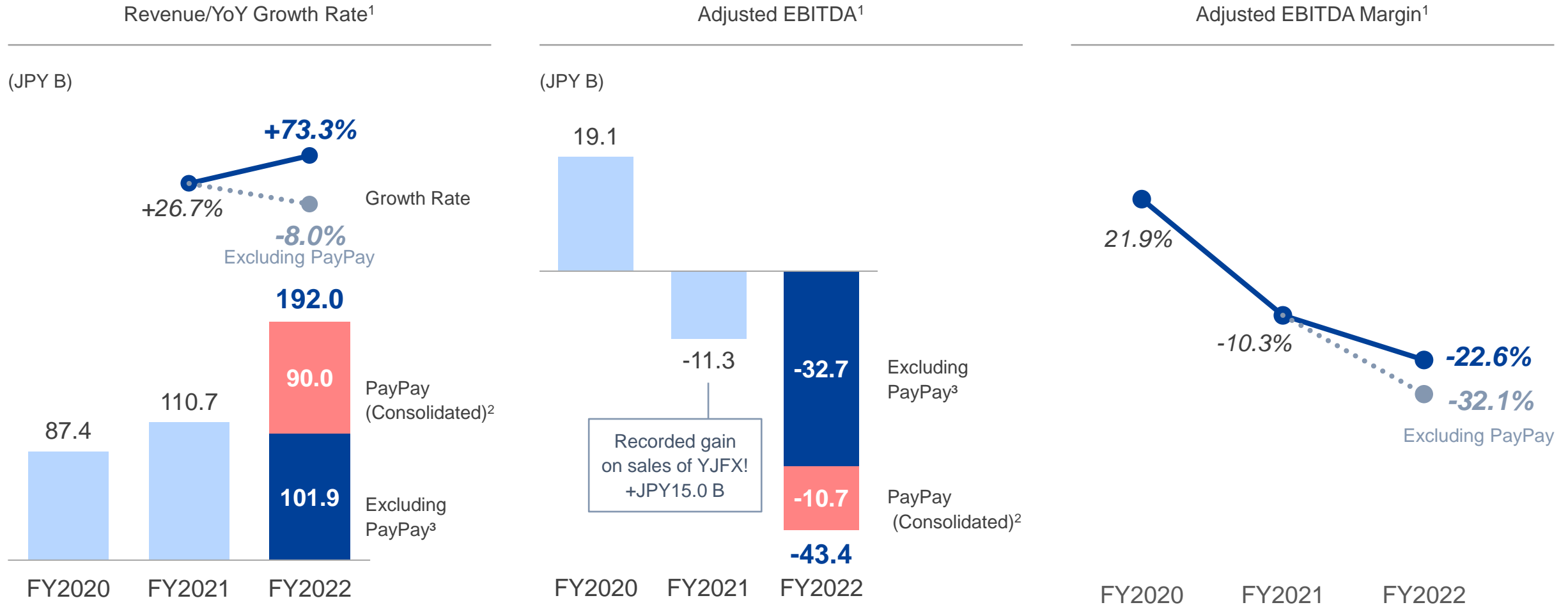


Group EC Transaction Value<sup>1</sup> - YoY Growth Rate

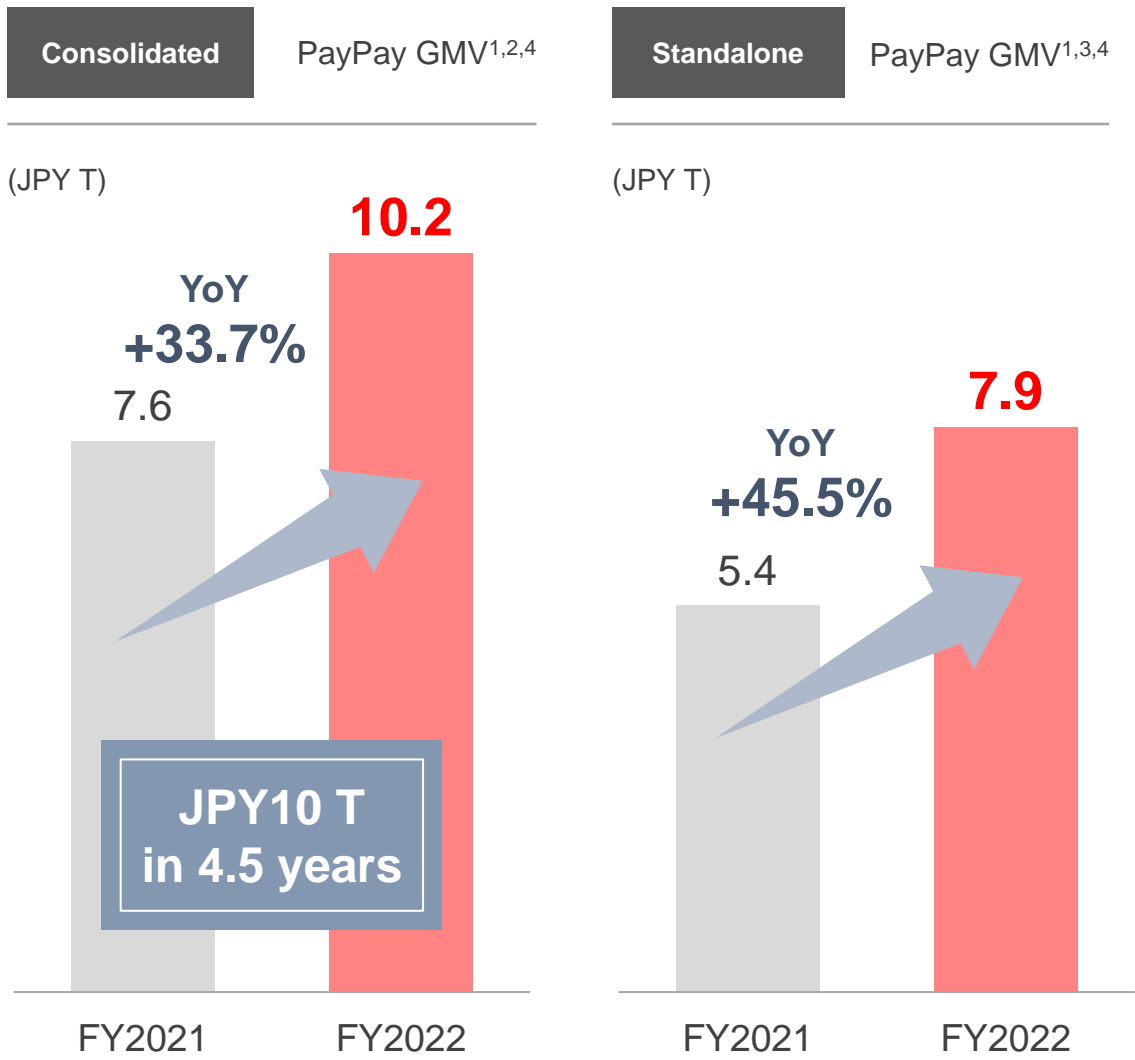


1. Please refer to P.24 of the Appendix for definition of transaction value.  
 2. Overseas e-commerce transaction value included from FY2021.

- Aim to quickly turn profitable by selectively focusing on key businesses and improving PayPay’s profitability, etc.



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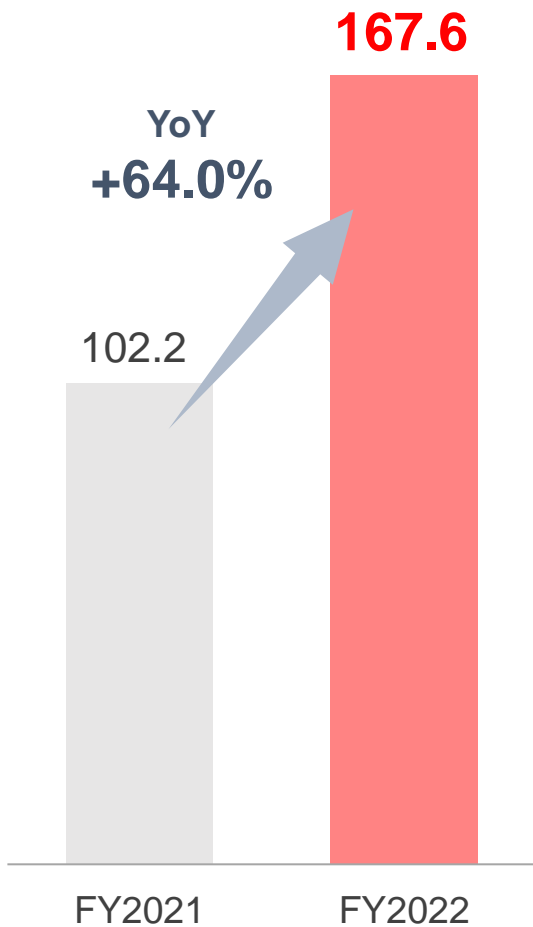


**Exceeded JPY10 T milestone  
in an exceptionally fast  
4.5 years since service launch**

1. The use of the "Send/Receive" function of "PayPay Balance" between users is not included. From FY2021 Q4 onward, payments via Alipay and LINE Pay, etc. are included.
2. Consolidated transaction volume of PayPay Card Corporation from the beginning of FY2021 due to the application of pooling of interest method. Figures after elimination of internal transactions between the two companies.
3. Payments through the deferred payment "PayPay Atobarai" launched in February 2022 are included.
4. Figures are rounded down to the nearest billion yen and rounded off to the nearest JPY100 billion.

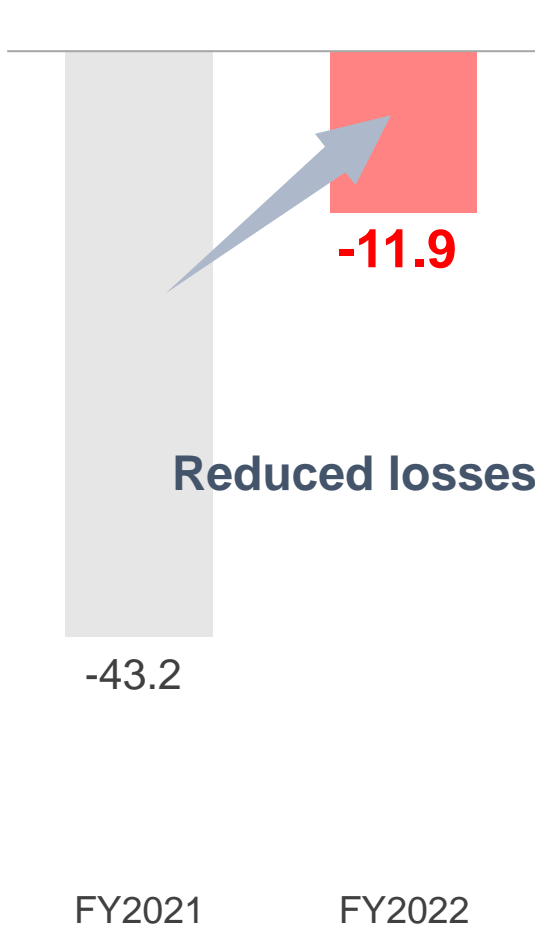
**Consolidated** Revenue<sup>1</sup>

(JPY B)



**Consolidated** EBITDA<sup>1</sup>

(JPY B)



**Large growth in revenue; making steady progress towards profitability**

1. Consolidated financial statements of PayPay Card Corporation from the beginning of FY2021 due to the application of pooling of interest method. Figures after elimination of internal transactions between the two companies. Unaudited.

1

FY2022 Results

2

**FY2023 Management Policy/Outlook**

# Status of Group Reorganization

- Group reorganization including merger with core subsidiaries to complete on **October 1, 2023**<sup>1</sup>.
- Offices are being sequentially consolidated to Kioicho.

**New Company Name**

**LY Corporation**

(Japanese name: LINEヤフー株式会社)

**Companies Subject to Reorganization  
(Scheduled)**

Z Holdings Corporation  
(Surviving company)

LINE Corporation

Yahoo Japan  
Corporation

Z Entertainment  
Corporation

Z Data Corporation

1. Scheduled date of completion of Group reorganization and change in trade name (effective date).

# Business Environment of New Company

## External Environment

Recession/sluggish advertising market



Short-term revenue growth difficult

## Internal Factors

Decline in competitiveness of core businesses (media/search/commerce)

Delayed generation of Group synergies



Top priority issues: achieving **double-digit income growth in FY2023**, and **renewed growth of core businesses from FY2024 onwards.**



# How We Position FY2023

Improve business efficiency through the merger and lay the foundation for renewed growth from FY2024 onwards.

**Improvement of  
business efficiency**

**JPY30 B fixed cost reduction**

**Selective focus in key  
businesses**

**For the renewed growth from  
FY2024 onwards**

**Redefinition of growth strategy**

Steady implementation of  
**fundamental measures** to  
realize strategies

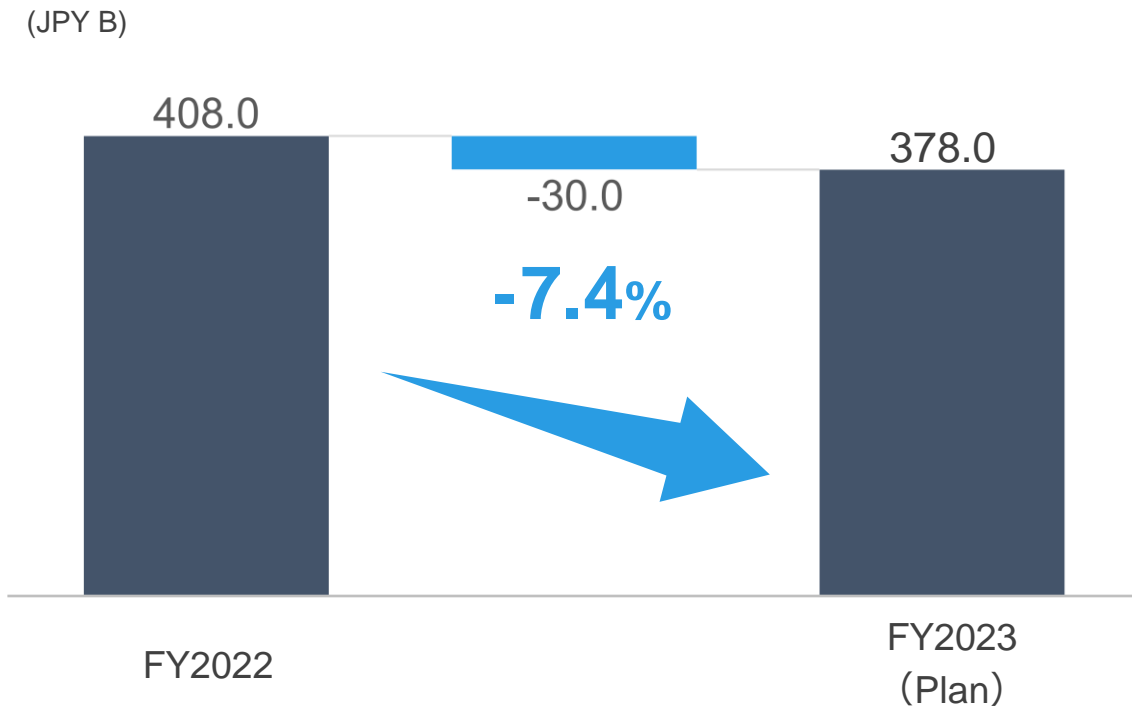
# **Improvement of Business Efficiency**

**For the Renewed Growth from FY2024 Onwards**

# Radical Cost Reduction

Compared to FY2022, reduce fixed cost in the size of JPY30 B in the new company<sup>1</sup>.  
Raise fund for investment while securing profit growth.

## Reduction of Fixed Cost of New Company<sup>1</sup> (Excludes depreciation)



### Major Cost Reduction Items

Hiring freeze

Thorough review of business commissions

Reduction of executive remuneration

Narrowing down of marketing expense

Consolidation of offices

Integration and rationalization of duplicated functions associated with the merger

1. Amount of fixed cost to be reduced excluding listed subsidiaries; ZOZO, Inc., ASKUL Corporation, ValueCommerce Co., Ltd.; and consolidated subsidiary PayPay Corporation.

# Selection and Concentration

Selectively reorganize businesses mainly in loss-making domains and consolidate management resources.

## Video Business Domain

- **LINE LIVE**

(Service terminated on March 31, 2023)

- **GYAO!**

(Service terminated on March 31, 2023)

**Consolidated to LINE VOOM**

## Financial Business Domain

- **LINE Bank (Japan)**

(Project cancelled)

**Consolidation of overlapping businesses**

## Other

- **LINE CLOVA**

(Absorption-type demerger to WORKS MOBILE Japan Corp.)

**Reorganization with NAVER**

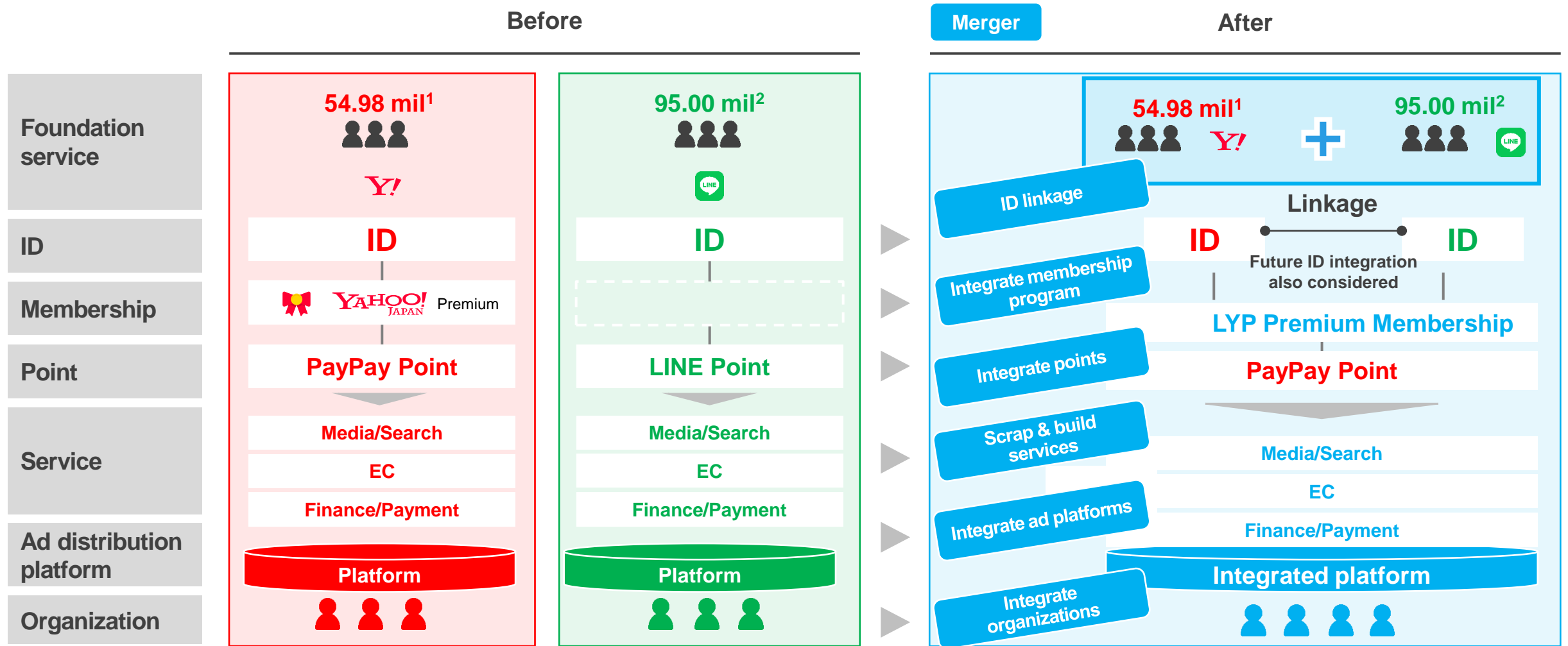
**Other measures also to be implemented in FY2023.**

# **Improvement of Business Efficiency**

**For the Renewed Growth from FY2024 Onwards**

# Outcomes of the Merger

Vigorously promote the integration/unification of foundations/services/organizations.

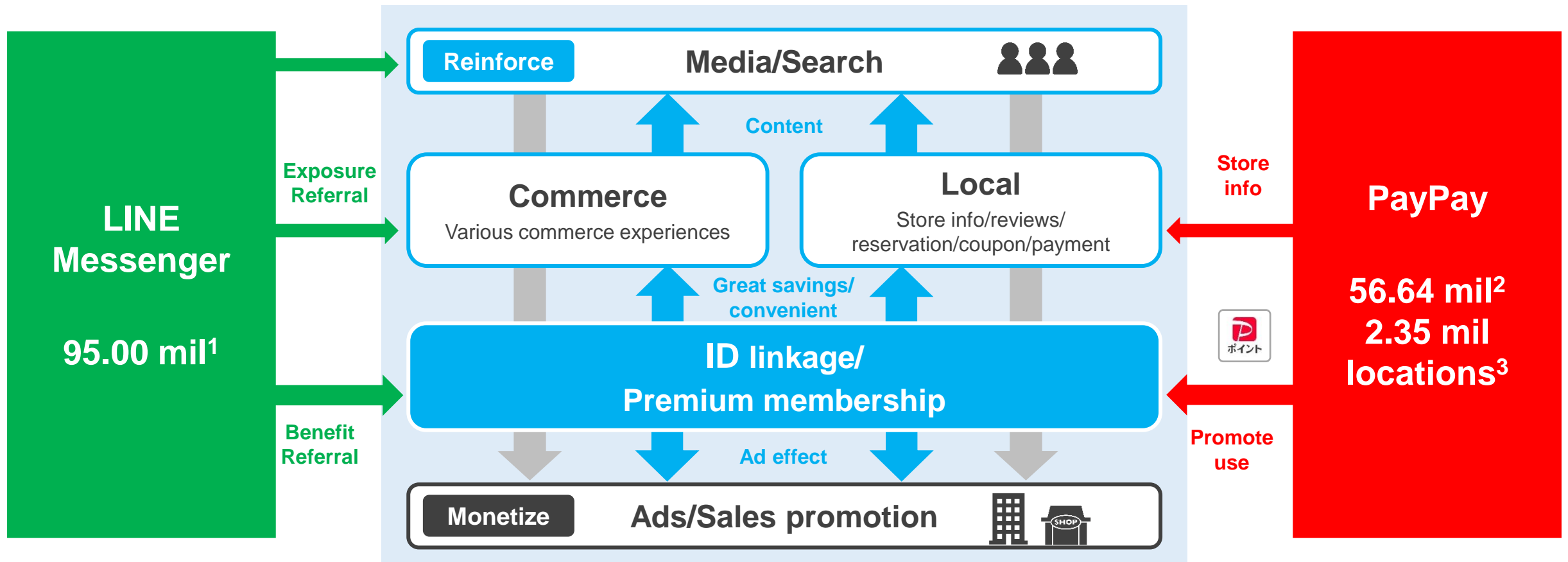


1. Number of monthly logged-in users as of March 31, 2023.

2. Number of monthly active users (Japan) as of March 31, 2023.

# Growth Strategy of New Company

- Reinforce media and search, domains that have high profitability.
- Focus on ID linkage/premium membership, as fundamental measures to fully leverage LINE Messenger and PayPay.



1. Number of monthly active users (Japan) as of March 31, 2023.

2. Number of PayPay registered users as of March 31, 2023.

3. Available locations: Number of merchant locations where "PayPay" is available as of March 2023.

# ID Linkage

Begin ID linkage at the same timing as the merger<sup>1</sup>

**Linkage between  
LINE ID & Yahoo! JAPAN ID**

**Begin in October 2023  
(Scheduled)**

**Linkage with PayPay ID**

**Begin within FY2024  
(Scheduled)**

1. LINE ID and Yahoo! JAPAN ID to be linked at the same timing as the merger.






# LYP Premium Membership

Benefits for the group-wide premium membership program to be upgraded in November.

Begins in November 2023 (scheduled)

TBD

LINE Benefit <sup>1</sup>	Unlimited use of LINE Stickers Premium	Useful albums
		Now: Photos only Members: Photos + Videos
Yahoo! JAPAN Benefit <sup>1</sup>	Unlimited use of great benefits	
	Examples: All You Can Read Premium, YAHUOKU!, Yahoo! JAPAN Travel, Safe Shopping Protection, Shop at Yahoo! JAPAN Shopping and earn PayPay Points (Everyday Earn + 2%)	
PayPay	PayPay Points	

Better backups
Now: Once a day Chats only Members: Realtime Chats/photos/videos
Multiple accounts
Multiple profiles can be used with one device
 

1. LYP Premium Members can use LINE benefits as well as current Yahoo! JAPAN Premium benefits. Yahoo! JAPAN Premium members will become LYP Premium Members with ID linkage and will be able to use LINE benefits.

# FY2023 Consolidated Full-Year Guidance

Aim for double-digit income growth through income growth in subsidiaries (ZOZO, ASKUL, etc.), improved business efficiency, and selective focus in key businesses.

Item	FY2022 Results	FY2023 Guidance	YoY	
Whole Group Revenue	JPY1.67 T	Approx. JPY1.90 T	Approx. +14%	
Whole Group Adjusted EBITDA	JPY332.6 B	JPY356.0 to 366.0 B	Approx. +10%	
Breakdown	Media	JPY262.0 B	JPY265.0 B	+1.1%
	Commerce	JPY153.6 B	JPY172.0 B	+12.0%
	Strategic	Negative JPY43.4 B	Negative JPY25.5 B	-
	Other/Adjustments	Negative JPY39.6 B	Negative JPY51.5 B	-

# Goals and Directions for FY2023 and Beyond

Enter a new growth phase after improving business efficiency.

	FY2023	FY2024 Onwards
Revenue	Approx. JPY1.90 T	
Adjusted EBITDA	JPY356.0 to 366.0 B	Regrowth under new strategy
Investment policy	<p><b>Reduction in fixed cost/selective focus in key businesses</b></p> <p>(Review of policies at the time of business integration: strategic investment and recruitment)</p>	▶ <b>Disciplined strategic investments</b>
Growth strategy	ID linkage: Begin in October (scheduled)	<b>Reinforcement of media/search based on ID linkage</b>
	LYP Premium Membership: Begin in November (scheduled)	<b>Strengthening of commerce/local domains by leveraging assets such as LYP Premium Memberships</b>

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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**