

LY Corporation Business Results

FY2023 Q2

November 7, 2023

Security Code: 4689

LINEヤフー

FY2023 Q2 Business Results - Topics

- **Q2 revenue came to JPY441.2 B (YoY +11.9%), and adjusted EBITDA to JPY103.3 B (YoY+28.1%).**
- **Both set new records for highest Q2 revenue and income.**



Consolidated Results

- Media Business: A gradual recovery of advertising business led to increases in revenue and income. The growth rate of account ads increased by over 20% following a pricing revision.
- Commerce Business: Improved e-commerce transaction value resulted in increased revenue and income. Shopping continues to show signs of improvement, while travel recorded double-digit growth.
- Strategic Business: Adjusted EBITDA achieved profitability for the first time as a result of a strategy of selection and concentration.

Topics

- Account linkage began in October. LYP Premium will be utilized to promote cross-use of services from its release in November.
- Aiming for further growth with the renewal of the LINE app.

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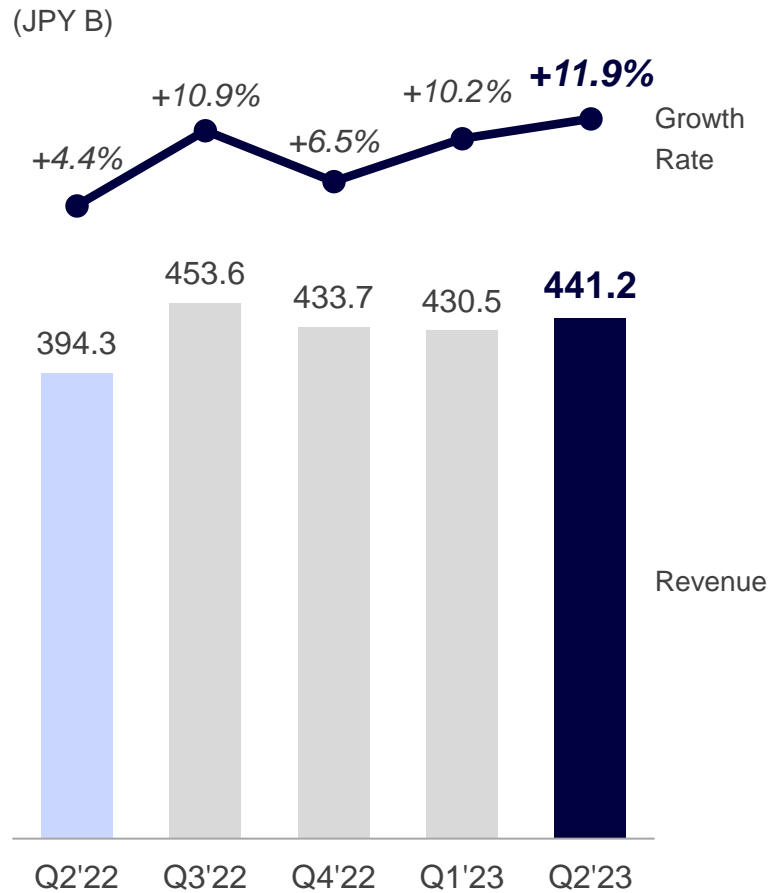
- 1 Consolidated Business Results – Entire Group**
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- 3 Future Initiatives**

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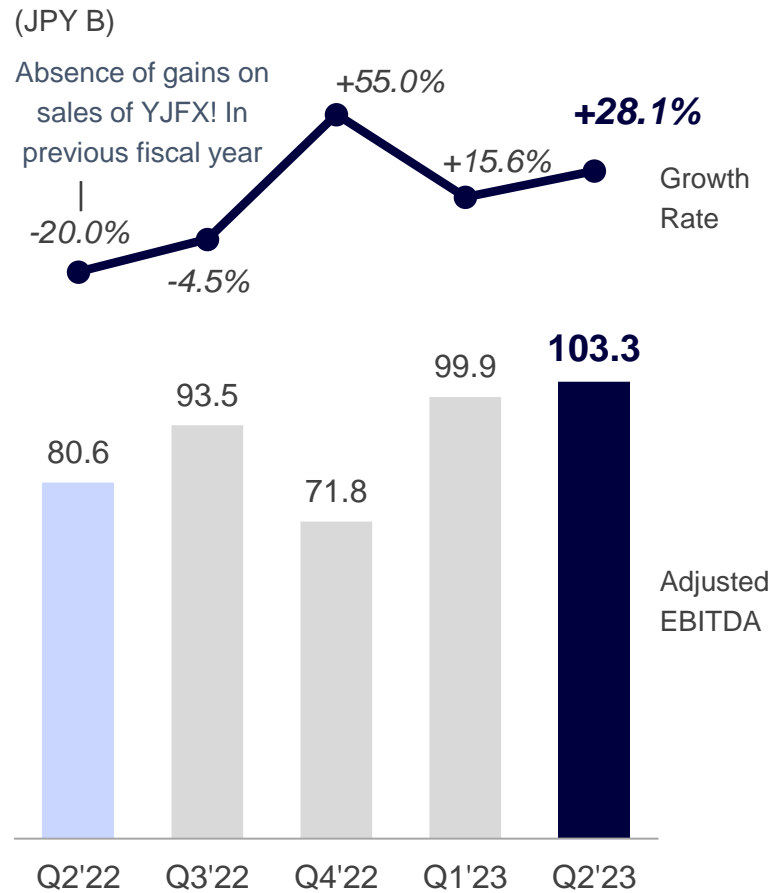
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- Revenue rose as a result of the consolidation of PayPay, while cost optimization and a selective focus on key business areas led to an increase of over 25% in adjusted EBITDA.

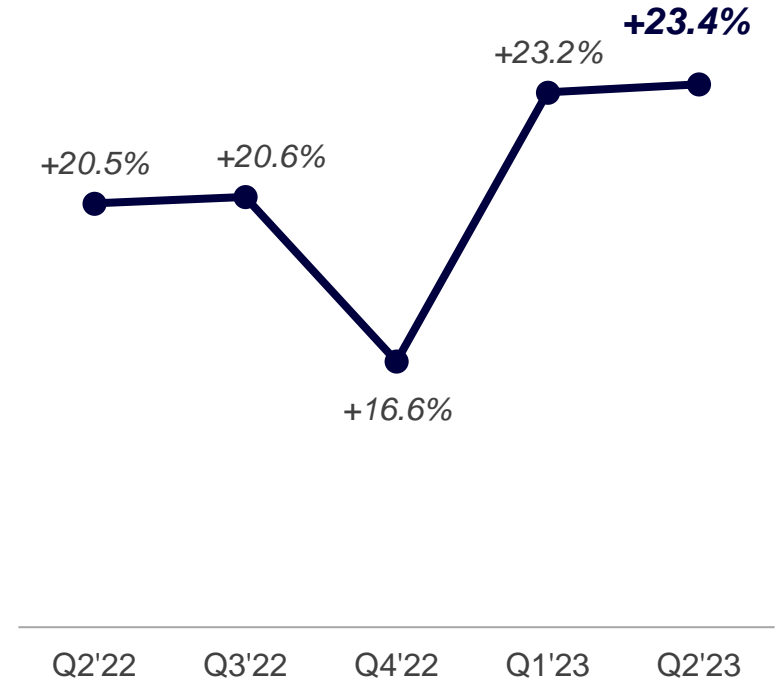
Revenue/YoY Growth Rate



Adjusted EBITDA/YoY Growth Rate



Adjusted EBITDA Margin

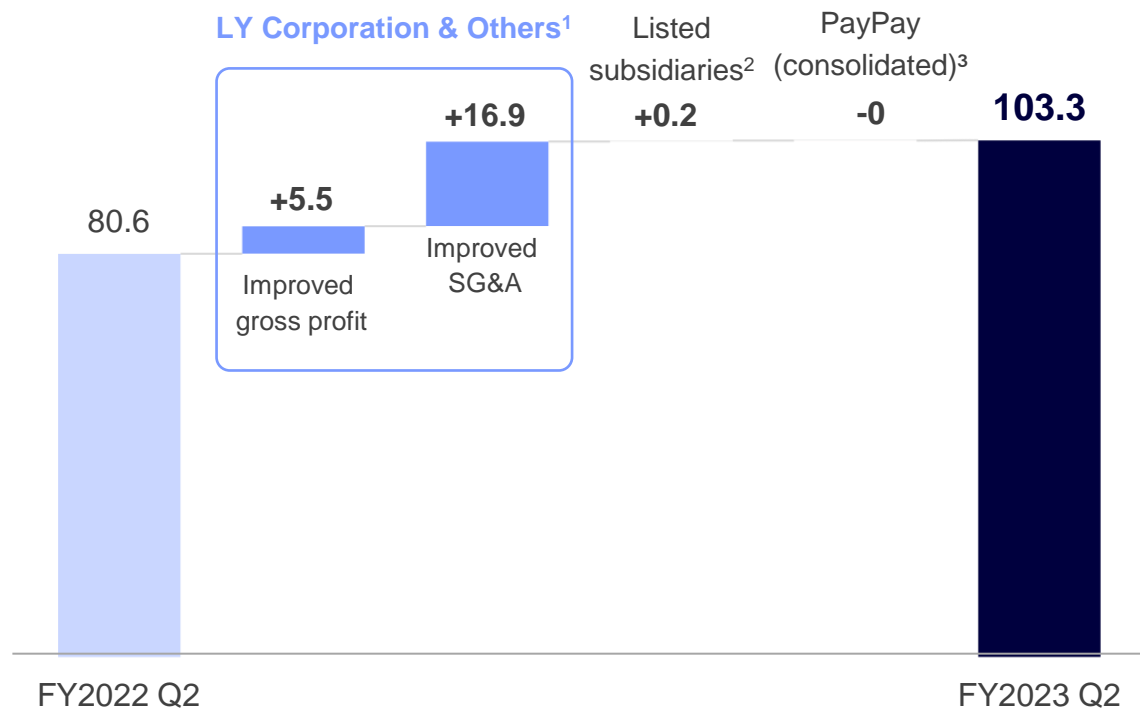


Factors Behind Change in Adjusted EBITDA

- In addition to a recovery trend in LY Corporation's gross profit, efforts to reduce fixed costs proceeded better than planned.

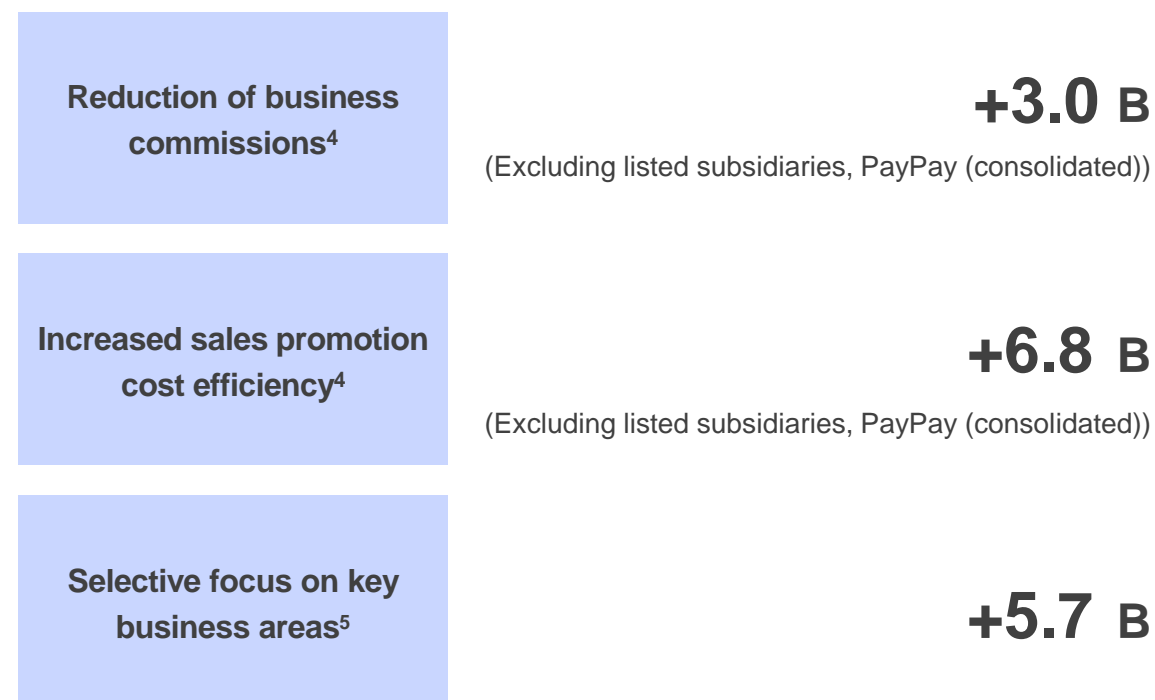
Factors Behind Change in Adjusted EBITDA

(JPY B)



Improvements in FY2023 Q2 (SG&A/Adjusted EBITDA)

(JPY)



1. Excluding ZOZO, Inc., ASKUL Corporation, ValueCommerce Co., Ltd., and PayPay Corporation (consolidated).

2. ZOZO, Inc., ASKUL Corporation, and ValueCommerce Co., Ltd.

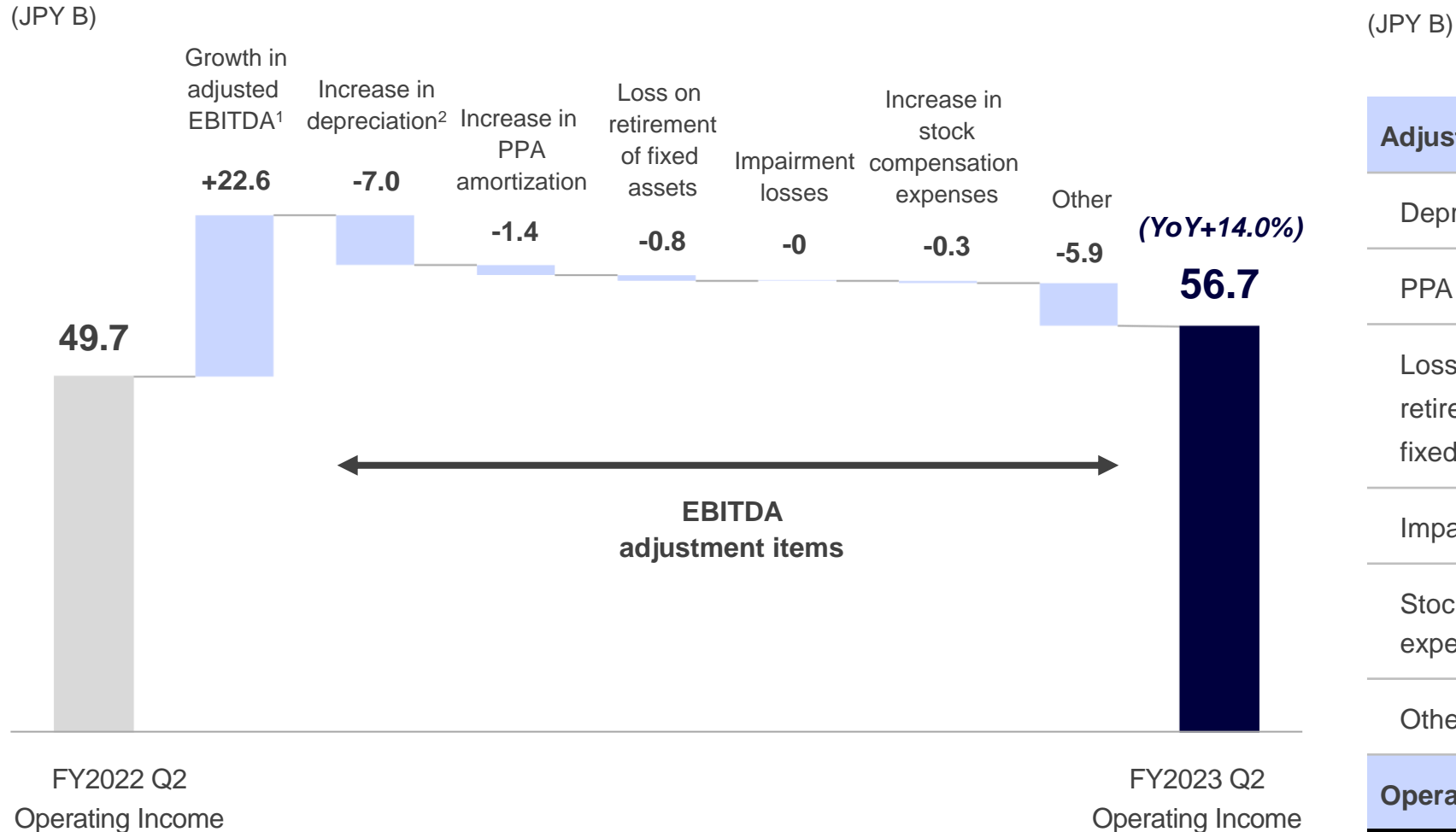
3. Includes PayPay Corporation and PayPay Card Corporation. Figures are shown after the elimination of internal transactions between the two companies and have been independently calculated following relevant IFRS adjustments.

4. Amount of improvement according to financial accounting-based SG&A.

5. Amount of improvement according to financial accounting-based EBITDA.

Factors Behind Change in Operating Income

- Although Other (including one-time valuation gain that materialized last year) decreased, operating income rose by 14%.



(JPY B)

	FY2022 Q2	FY2023 Q2	YoY
Adjusted EBITDA¹	80.6	103.3	+22.6
Depreciation ²	27.1	34.1	+7.0
PPA amortization	7.9	9.4	+1.4
Loss on retirement of fixed assets	0.4	1.2	+0.8
Impairment losses	-0	0	+0
Stock compensation expenses	4.2	4.5	+0.3
Other	-8.8	-2.8	+5.9
Operating income	49.7	56.7	+6.9

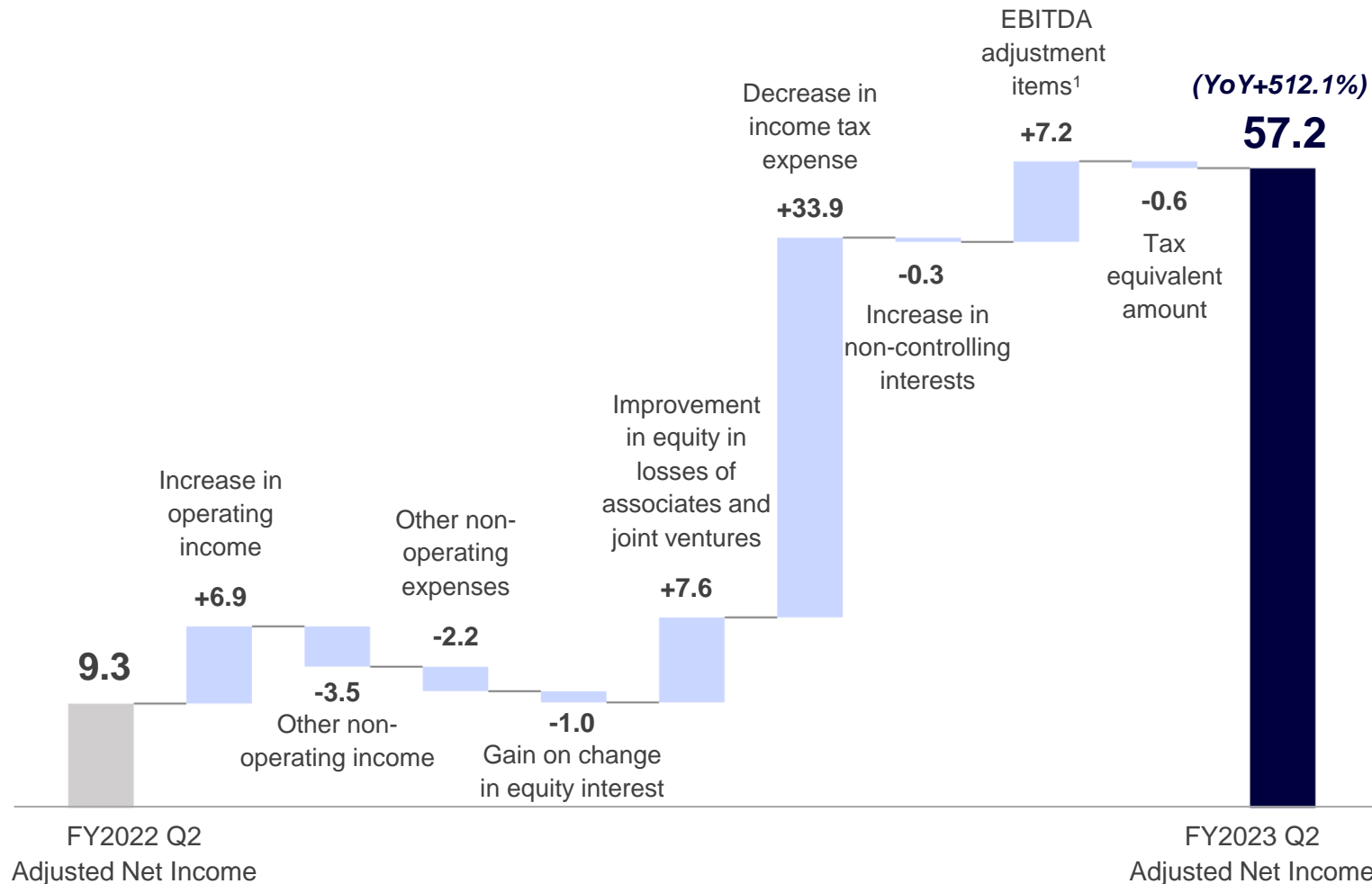
1. Adjusted EBITDA: Operating income + depreciation & amortization ± EBITDA adjustment items. EBITDA adjustment items: Gains/losses on non-recurring and non-cash transactions within operating revenue and expenses (loss on retirement of fixed assets, impairment losses, stock compensation expenses, gains/losses on step acquisition, other transactions with undetermined cash outflows (one-time provisions, etc.), etc.). Also, gains/losses on sales of shares held by certain funds. Definitions changed from FY2022 Q3. Added certain rents to depreciation and amortization, and gains/losses on sales of shares held by certain funds to EBITDA adjustment items.

2. Depreciation & amortization: Depreciation, depreciation of right-of-use assets, certain rents.

Factors Behind Change in Adjusted Net Income

- Approximately 6.1x increase as a result of the recognition of the tax effect of the merger.

(JPY B)



(JPY B)

	FY2022 Q2	FY2023 Q2	YoY
Operating income	49.7	56.7	+6.9
Other non-operating income	5.3	1.7	-3.5
Other non-operating expenses	3.0	5.2	+2.2
Gain on change in equity interest	1.1	0.1	-1.0
Equity in losses of associates and joint ventures	-10.7	-3.0	+7.6
Income tax expense	23.3	-10.5	-33.9
Non-controlling interests	3.9	4.3	+0.3
Net income attributable to owners of the parent	15.0	56.4	+41.3
EBITDA adjustment items ¹	-4.2	3.0	+7.2
Tax equivalent amount	1.5	2.2	+0.6
Adjusted net income	9.3	57.2	+47.8

1. EBITDA adjustment items: Gains/losses on non-recurring and non-cash transactions within operating revenue and expenses (loss on retirement of fixed assets, impairment losses, stock compensation expenses, gains/losses on step acquisition, other transactions with undetermined cash outflows (one-time provisions, etc.), etc.). Also, gains/losses on sales of shares held by certain funds.

- Although the rate of progress for adjusted EBITDA for the entire Group remains at 55%, guidance still holds. Following the merger, we plan to review cost allocation for the entire Group from FY2023 Q3.

Segment	Item	FY2022 Results	FY2023 Guidance	YoY	Anticipated Cost Allocation for the Entire Group After the Review ²
Entire Group	Revenue	Approx. JPY1.67 T	Approx. JPY1.90 T	Approx. +14%	
	Adjusted EBITDA	JPY332.6 B	JPY356.0 to 366.0 B	Approx. +10%	
Media	Advertising revenue ¹	JPY542.4 B	-	Low single digit %	
	Adjusted EBITDA	JPY258.0 B	JPY265.0 B	+2.7 %	Approx. 70% ←
Commerce	Revenue	JPY836.4 B	-	Mid to high single digit %	
	Adjusted EBITDA	JPY154.1 B	JPY172.0 B	+11.6 %	Approx. 40% ←
Strategic	Adjusted EBITDA	Negative JPY46.1 B	Negative JPY25.5 B	-	Approx. -10% ←
Others/Adjustments	Adjusted EBITDA	Negative JPY33.3 B	Negative JPY51.5 B	-	

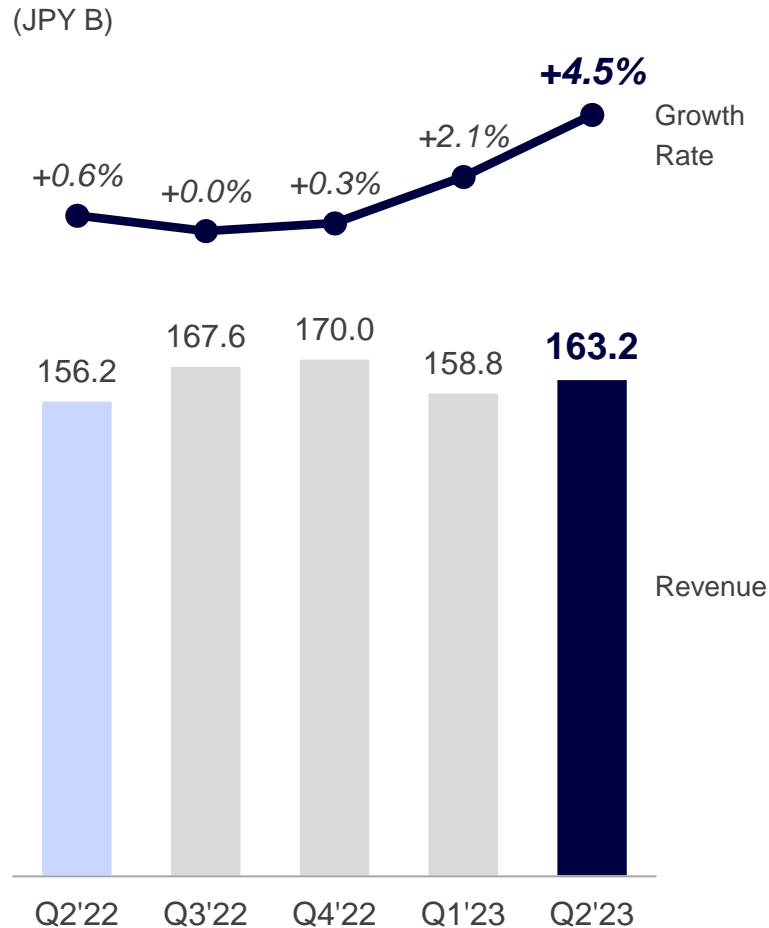
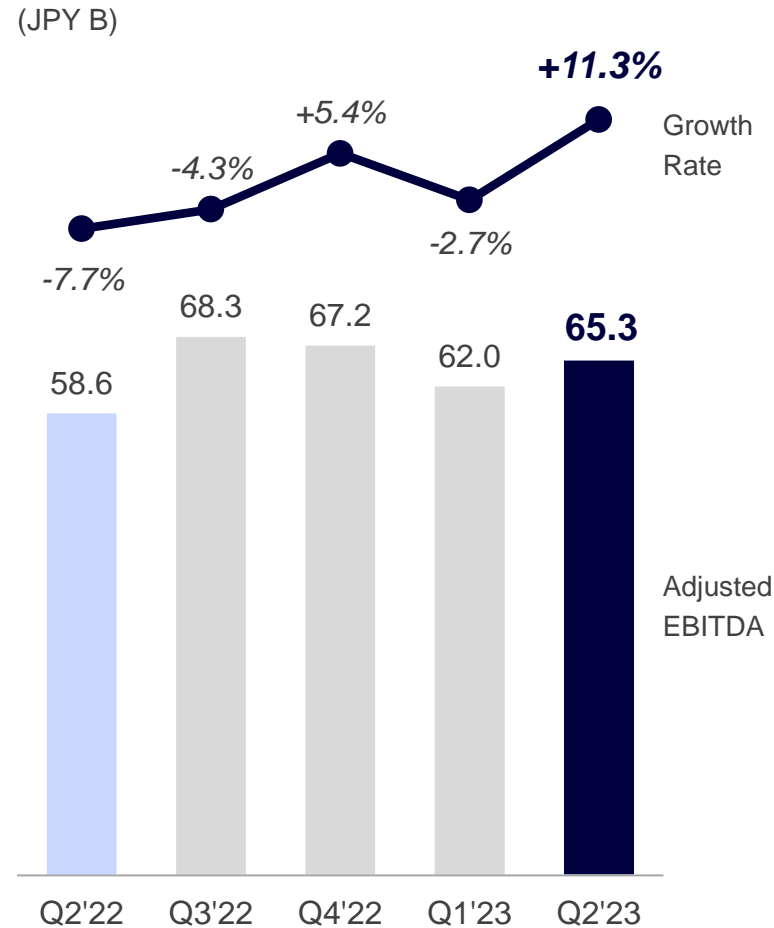
1. Media Business revenue minus "Others" in Media Business.

2. These figures are subject to change as they are illustrations of allocations based on unaudited figures.

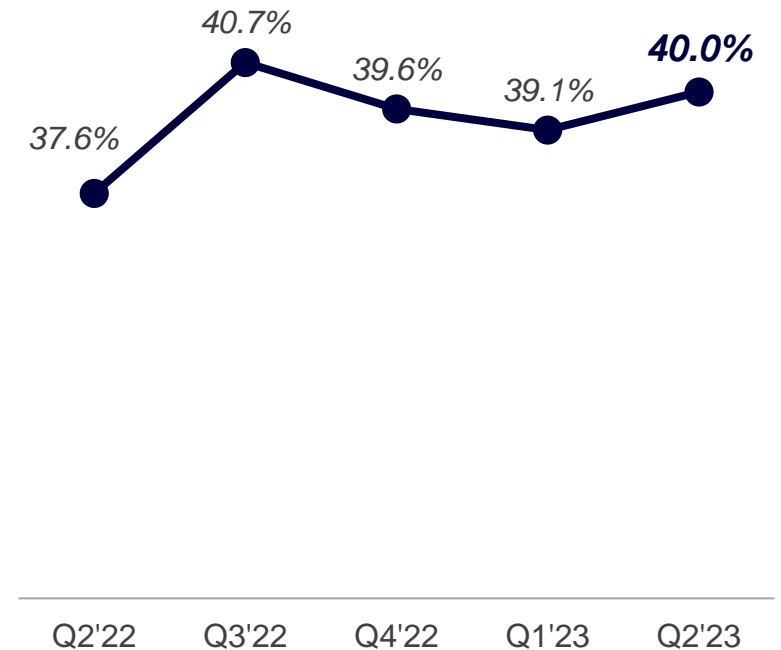
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- Performance of advertising business underwent a gradual recovery, leading to increases in both revenue and income.

Revenue/YoY Growth Rate¹Adjusted EBITDA/YoY Growth Rate¹

Adjusted EBITDA Margin

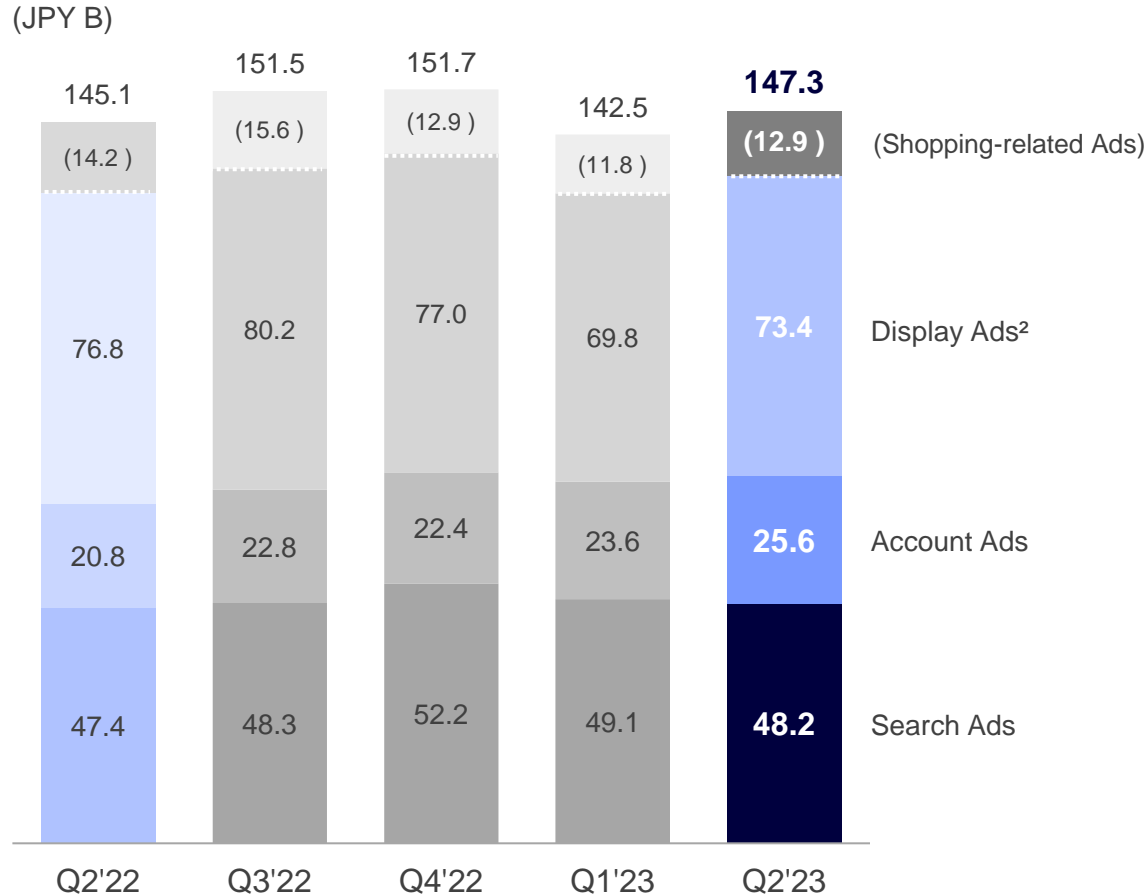


1. From FY2023 Q1, Yahoo Japan Corporation's data solution service and dely Inc.'s service were transferred from Others to Media Business. In addition, part of the expenses related to LINE Corporation and its subsidiaries, which were previously allocated to Others and Adjustments, have been allocated to Media Business. The segment information for FY2022 has been revised as a result.

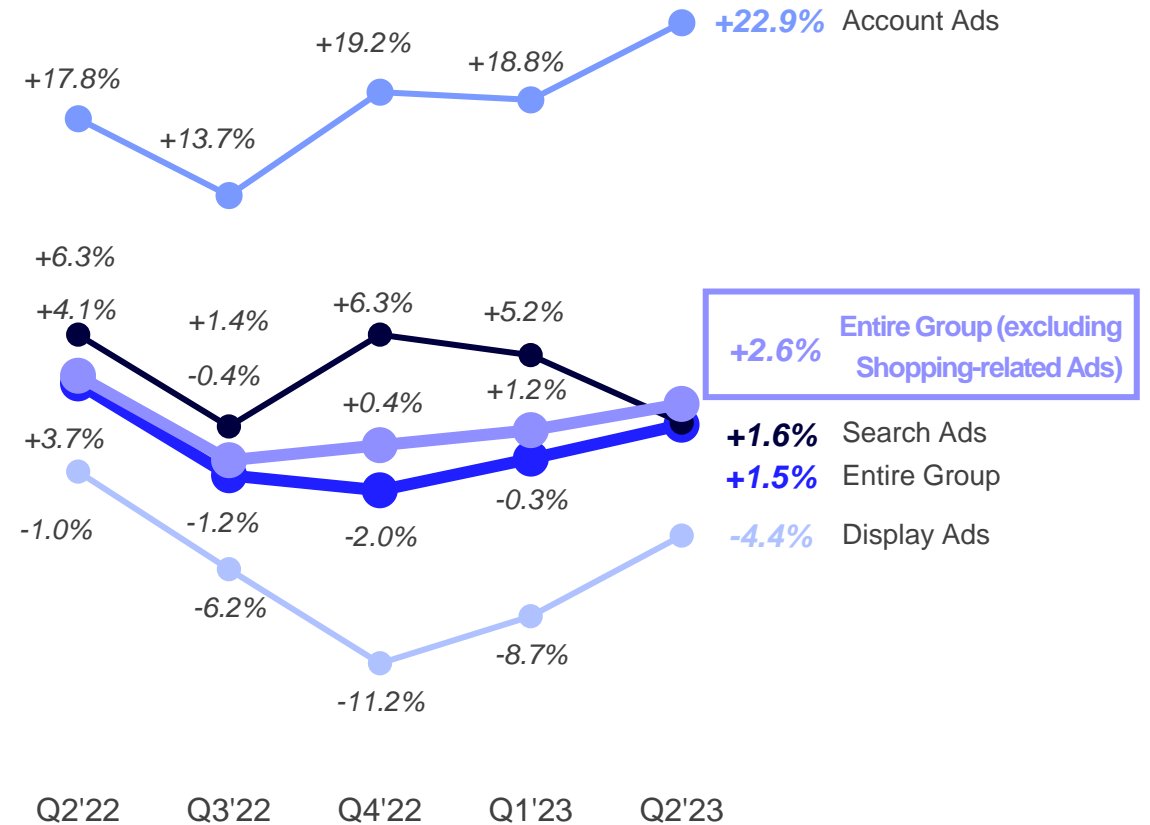
Entire Group – Total Advertising Revenue

- While the growth rate of search ads has slowed, display ads are on a gradual recovery trend.

Entire Group – Total Advertising Revenue¹



Entire Group – Total Advertising Revenue YoY Growth Rate¹

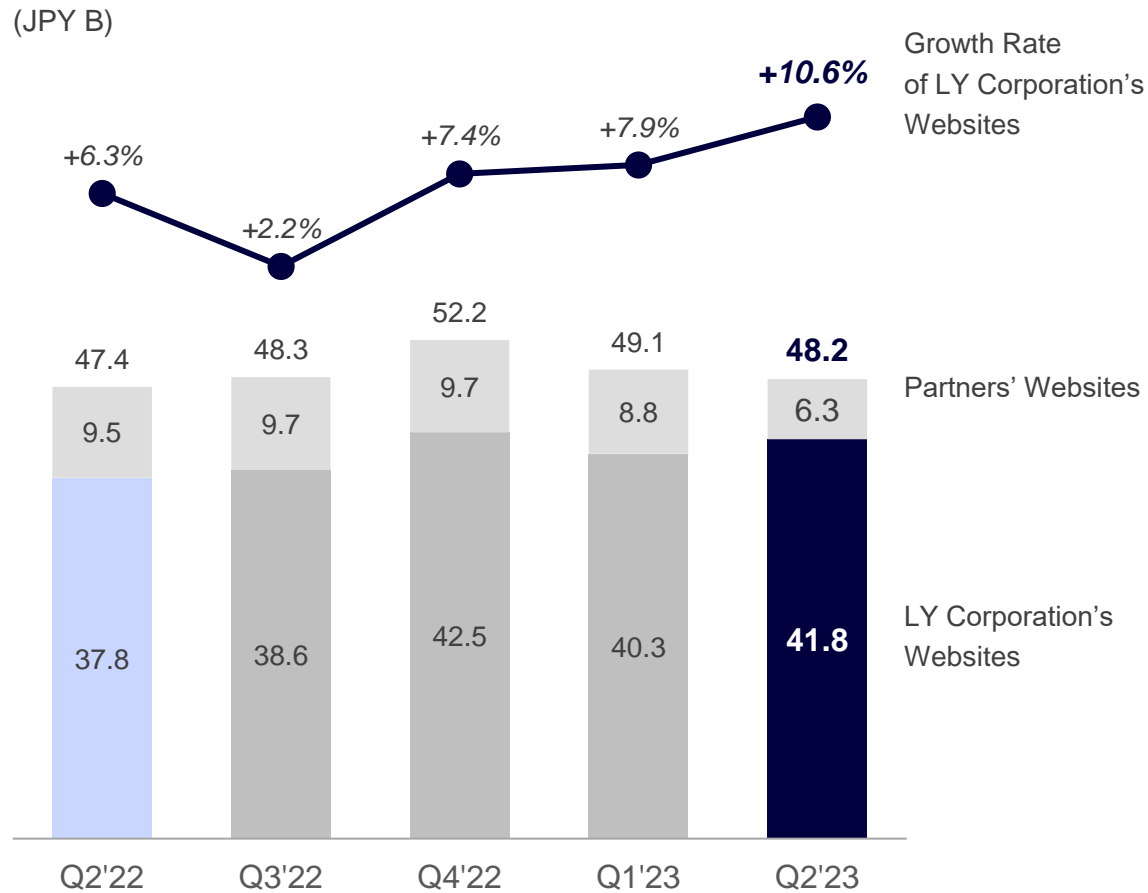


1. From FY2022 Q1, certain services of LINE Corporation, which had previously been recorded in Adjustments, have been transferred to each business segment. Consequently, the total advertising revenue of LINE Corporation has been retroactively adjusted from FY2021 Q1.

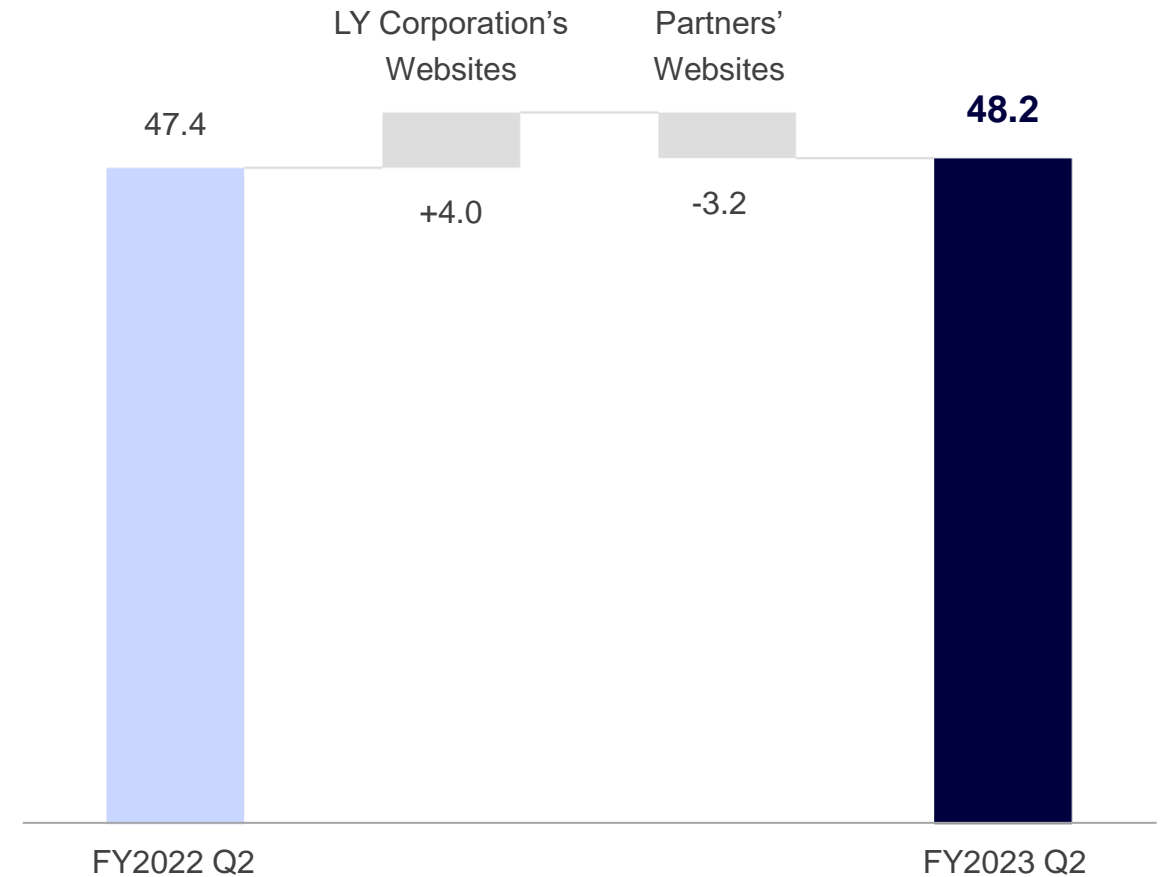
2. Display advertising revenue includes the revenue of other LINE ads and Shopping-related ads. Shopping-related advertising revenue is classified under Commerce Business.

- While revenue decreased from less profitable ads on partners' websites, revenue from ads on LY Corporation's websites increased following UI/UX improvements.

Search Advertising Revenue/YoY Growth Rate



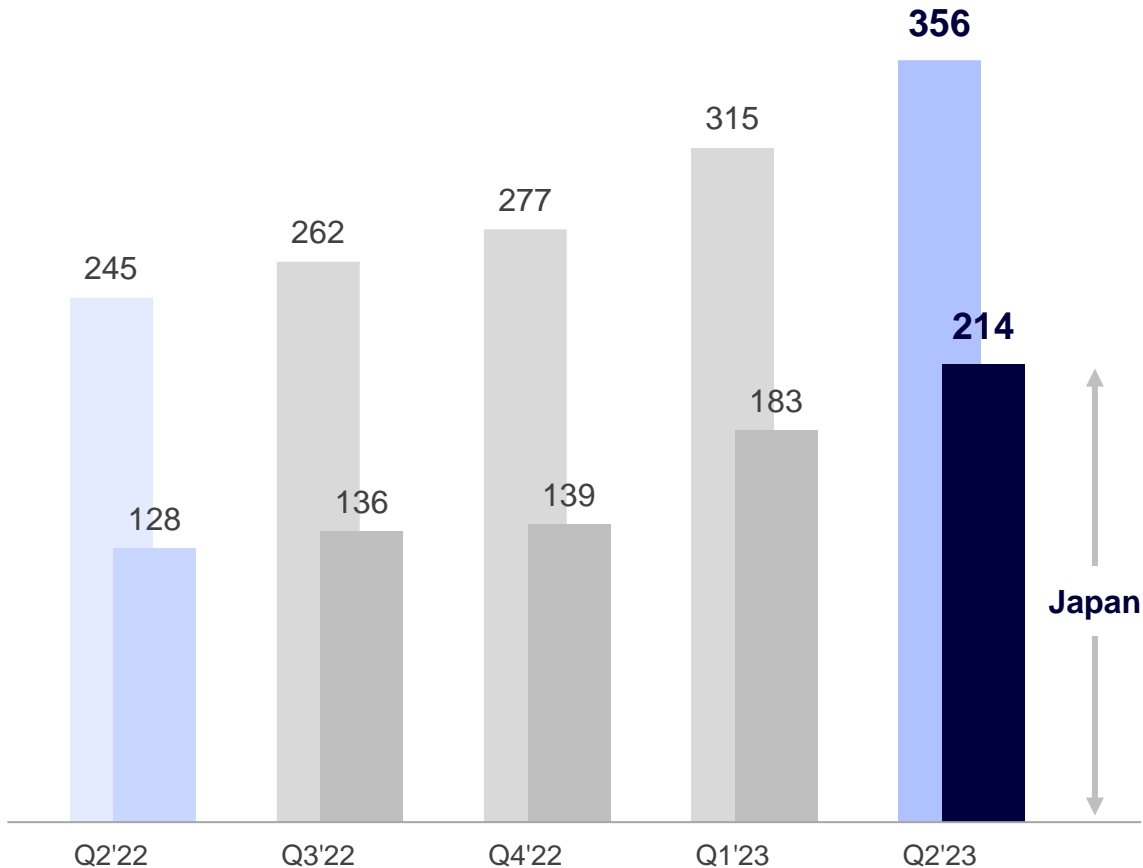
Factors Behind Change in Search Advertising Revenue



- A pricing revision undertaken in June of this year and improvements to features served to expedite growth.

No. of Paid LINE Official Accounts (Global/Japan)¹

(Thousands)

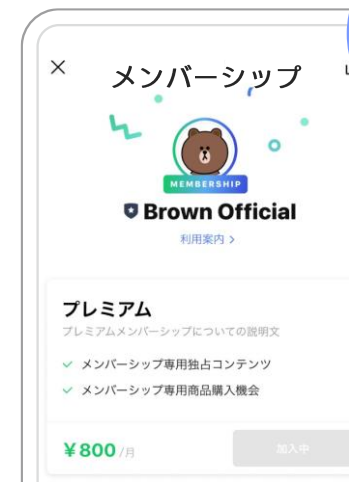


Initiatives

Monetization Solutions

- Exclusive content for friends who become subscribers.
- Can offer paid subscriptions.

Membership



Available from Jan 2023

Operational Optimization with Generative AI, etc.

- Generative AI suggests responses.
- Lower operational costs for LINE Official Account.

AI Prompt Manager²



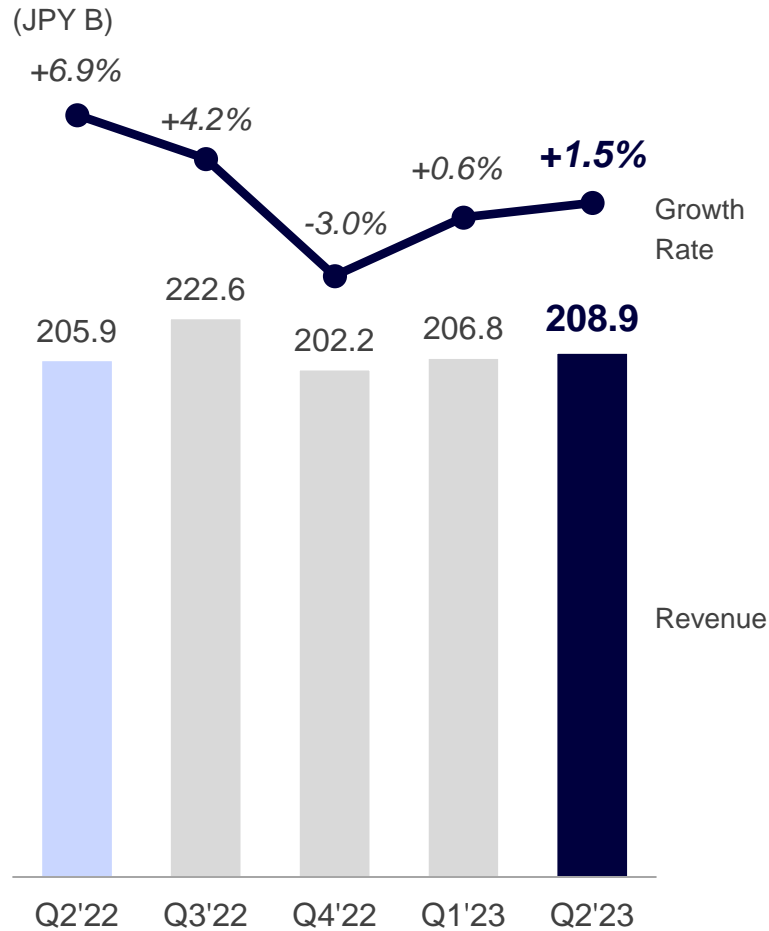
Planned to be released within FY2023

1. Figures provided are the number of paid accounts as of the end of each quarter.
 2. The content depicted in these images is under development and may be subject to changes in the future.

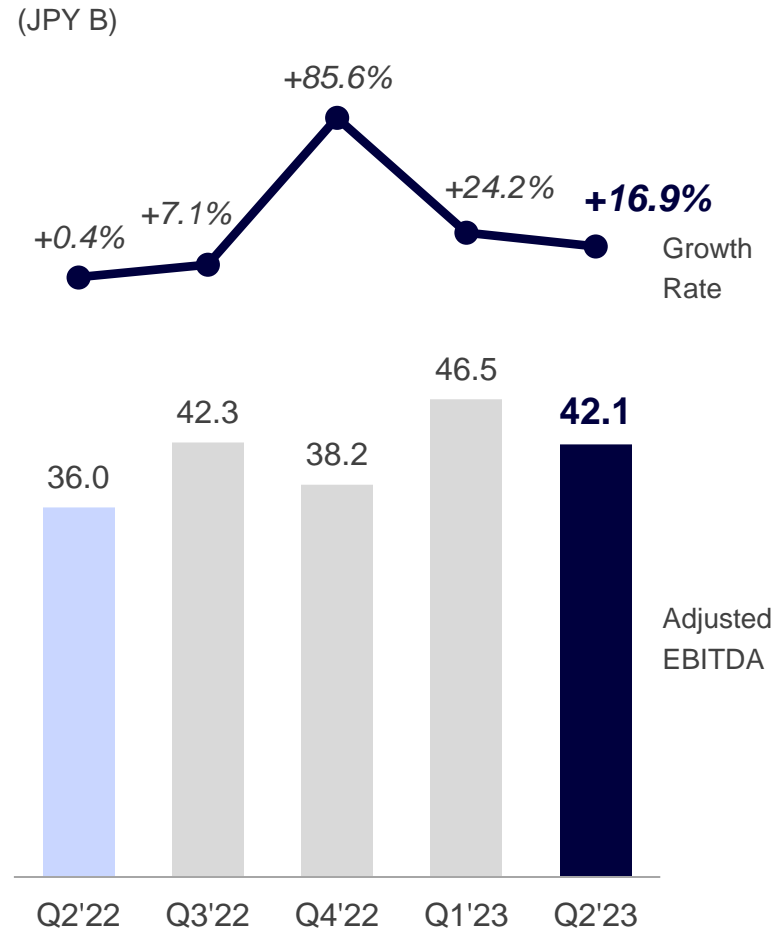
Commerce Business – Performance

- Improvements in e-commerce transaction value resulted in increased revenue and income.

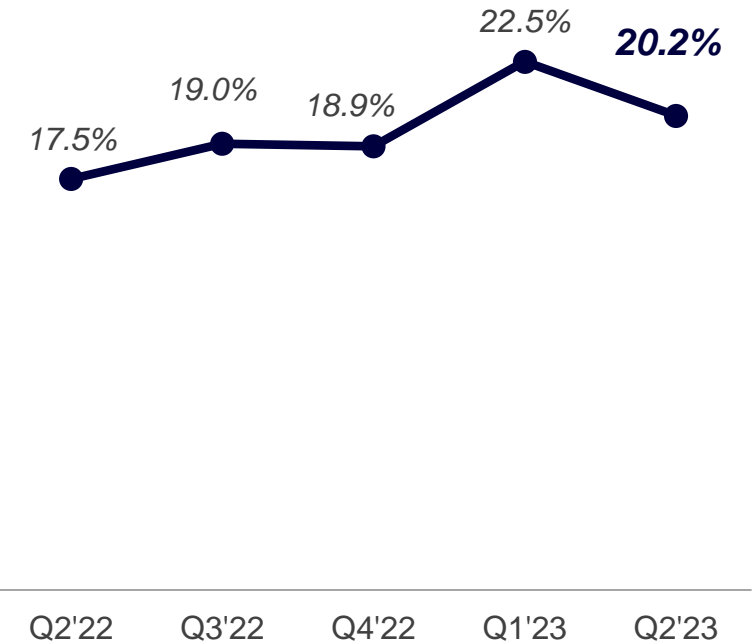
Revenue/YoY Growth Rate¹



Adjusted EBITDA/YoY Growth Rate¹



Adjusted EBITDA Margin



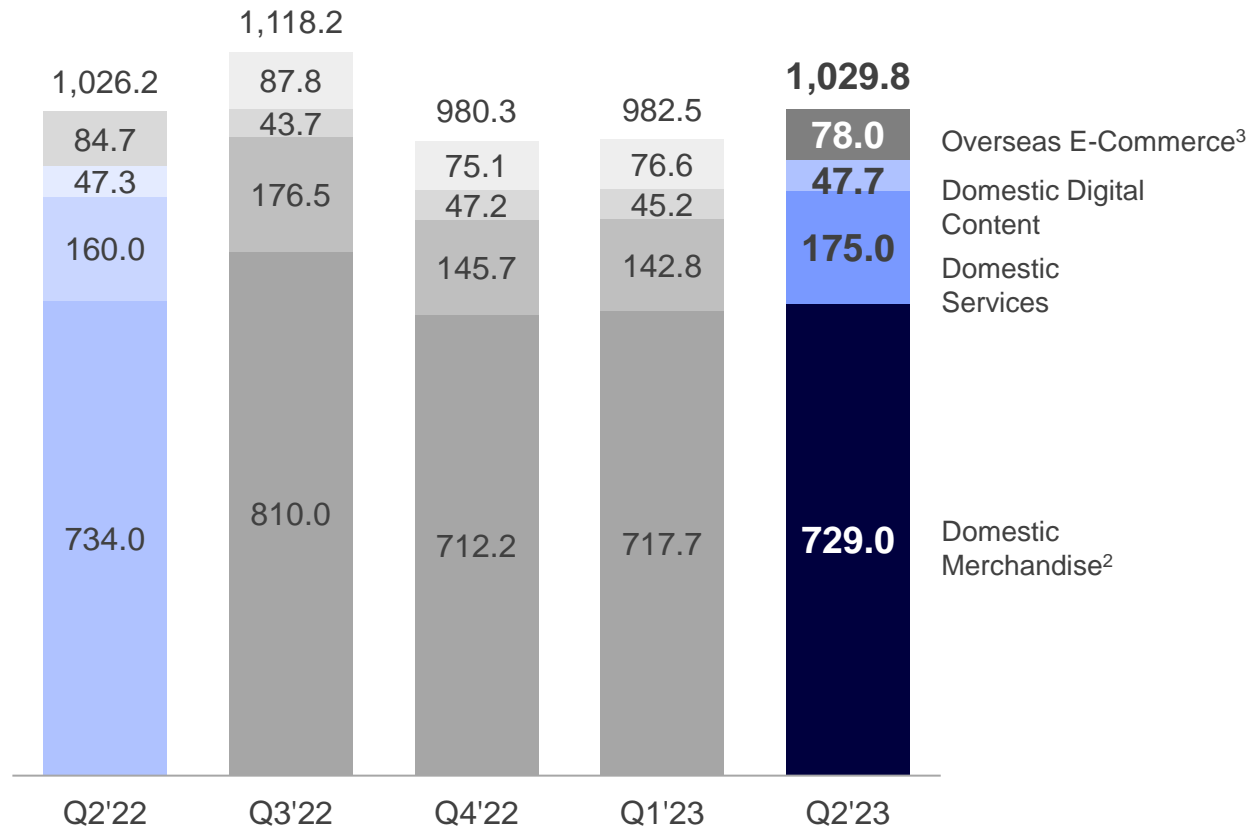
1. From FY2023 Q1, part of the expenses related to LINE Corporation and its subsidiaries, which were previously allocated to Others and Adjustments, have been allocated to Commerce Business. The segment information for FY2022 has been revised as a result.

Business Overview (E-Commerce Transaction Value)

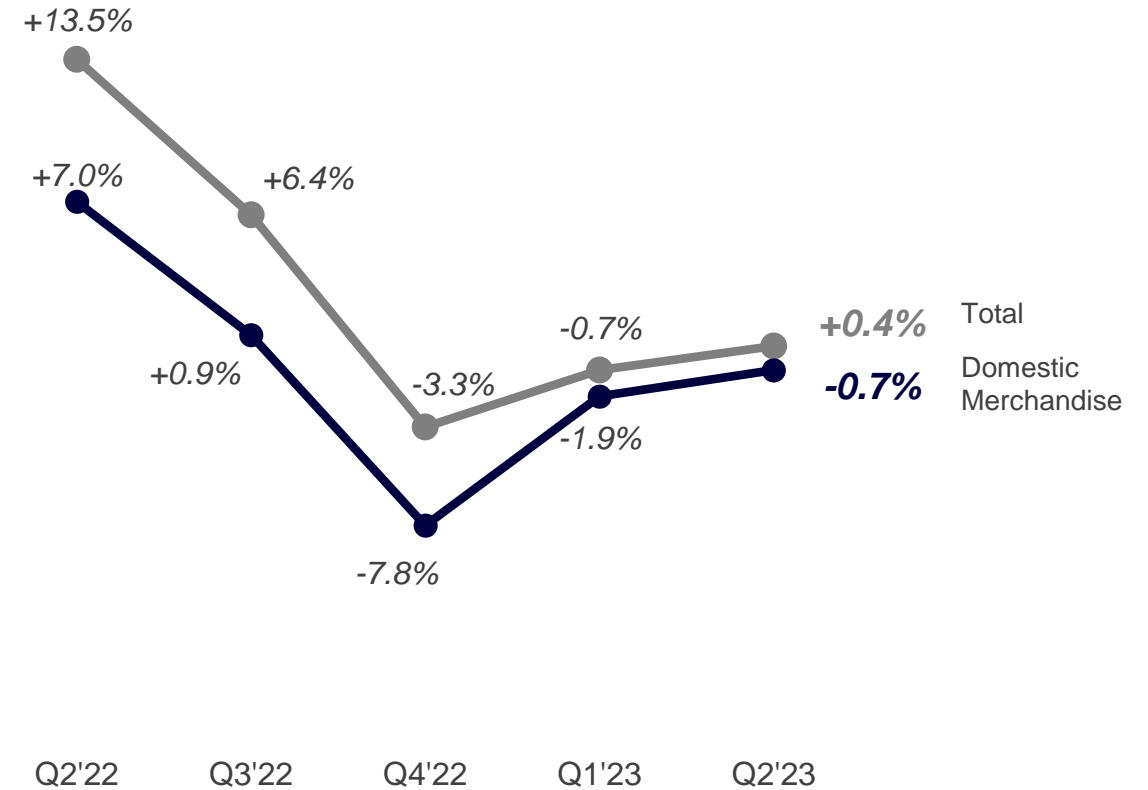
- E-commerce transaction value achieved positive YoY growth this quarter.

Group E-Commerce Transaction Value¹

(JPY B)



Group E-Commerce Transaction Value¹ - YoY Growth Rate



1. Please refer to P.20 of the Appendix for a definition of "transaction value."

2. From FY2023 Q1, the definition has been changed to include APMRO and FEED DENTAL in ASKUL's online BtoB business.

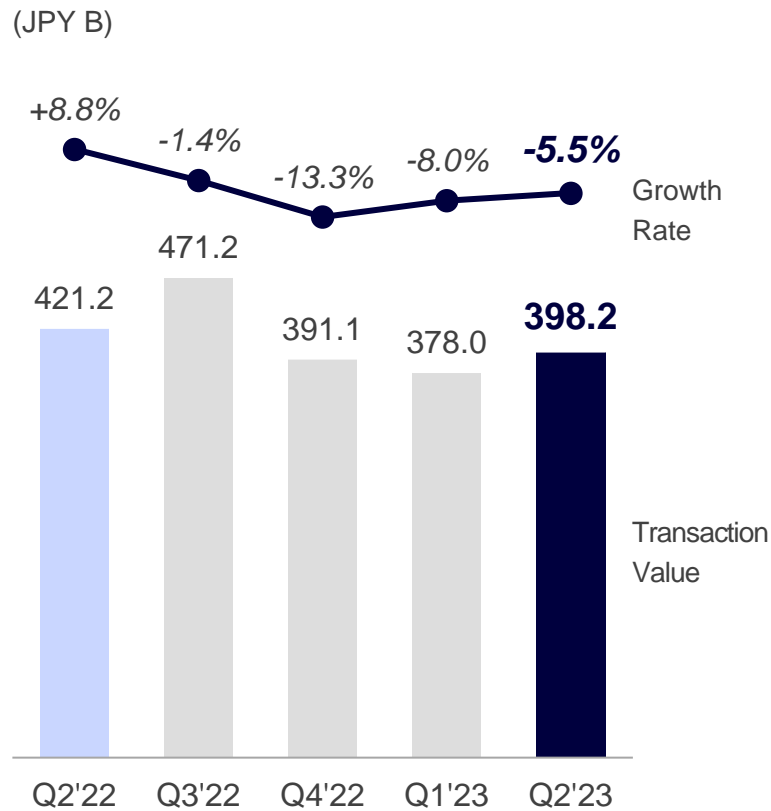
3. From FY2023 Q1, includes the transaction value of ZOZOFIT.

Business Overview (Domestic E-Commerce Transaction Value)

- Shopping growth continues to improve while travel recorded double-digit growth.

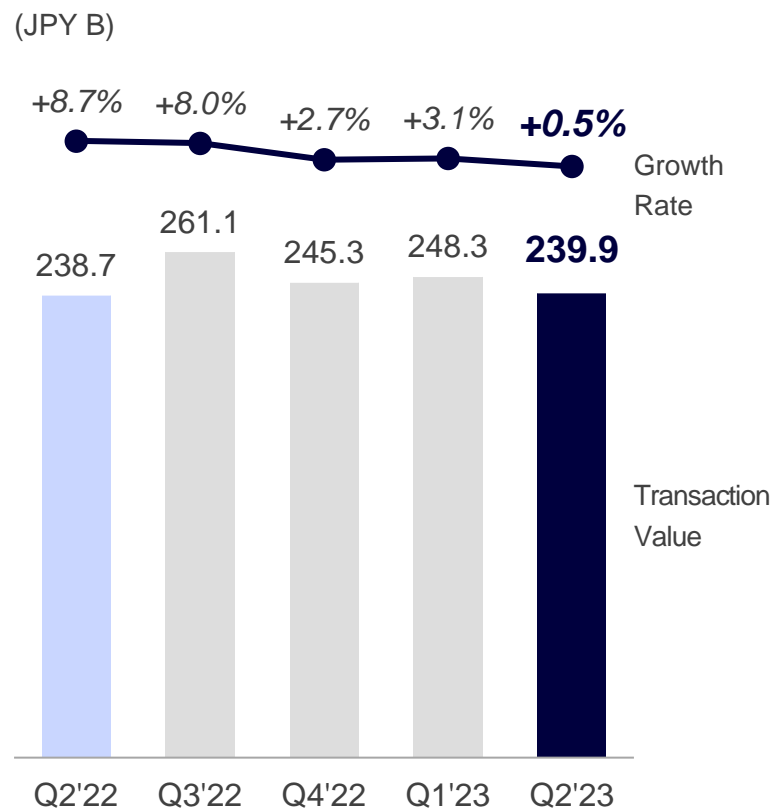
Domestic Shopping Transaction Value¹
– YoY Growth Rate

Yahoo! JAPAN Shopping, LINE GIFT, ZOZOTOWN, LOHACO, etc.



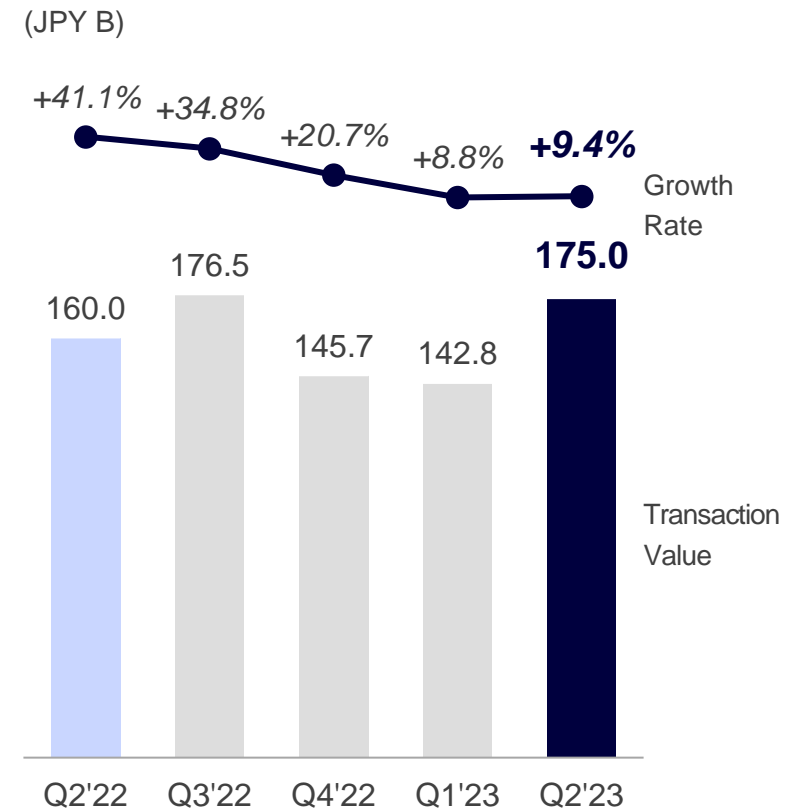
Domestic Reuse Transaction Value¹
– YoY Growth Rate

YAHUOKU!,² PayPay Flea Market,³ ZOZOUSED



Domestic Services Transaction Value¹
– YoY Growth Rate

Ikyu.com, Yahoo! JAPAN Travel, Yahoo! JAPAN Loco, Demae-can, etc.



1. Please refer to P.20 of the Appendix for a definition of “transaction value.”

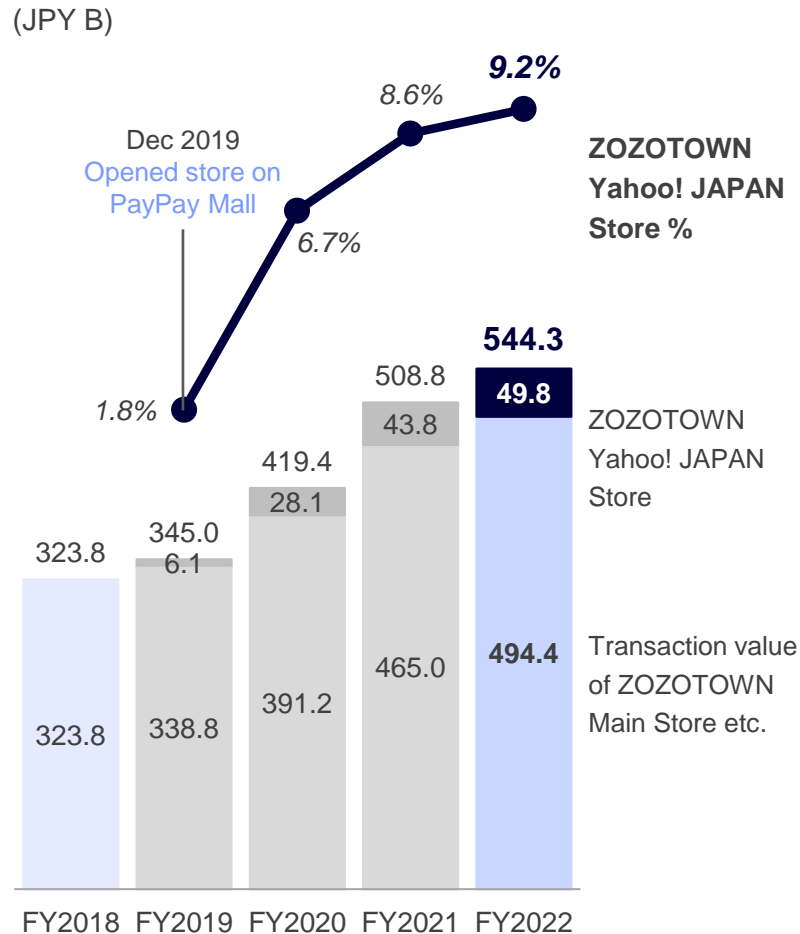
2. YAHUOKU! has been renamed as Yahoo! JAPAN Auction on November 1, 2023.

3. PayPay Flea Market has been renamed as Yahoo! JAPAN Flea Market on November 1, 2023.

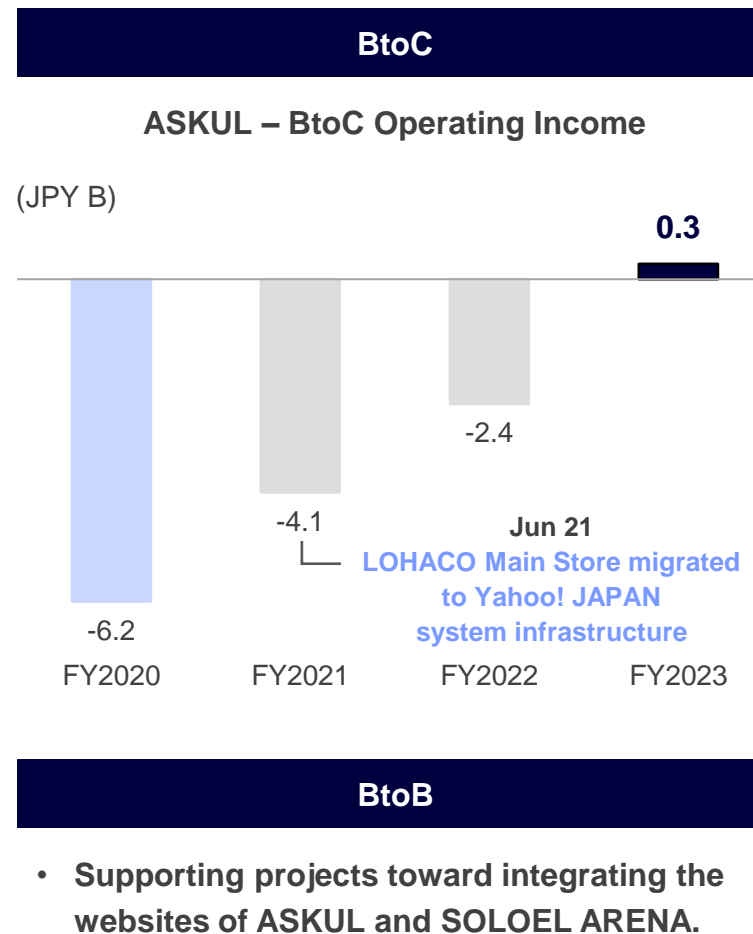
Synergy with ZOZO and ASKUL

- LY Corporation's strengths, particularly user base and technical capabilities, contributed to ZOZO and ASKUL's growth.

ZOZO – Expanding Customer Base



ASKUL – BtoC Achieved Profitability

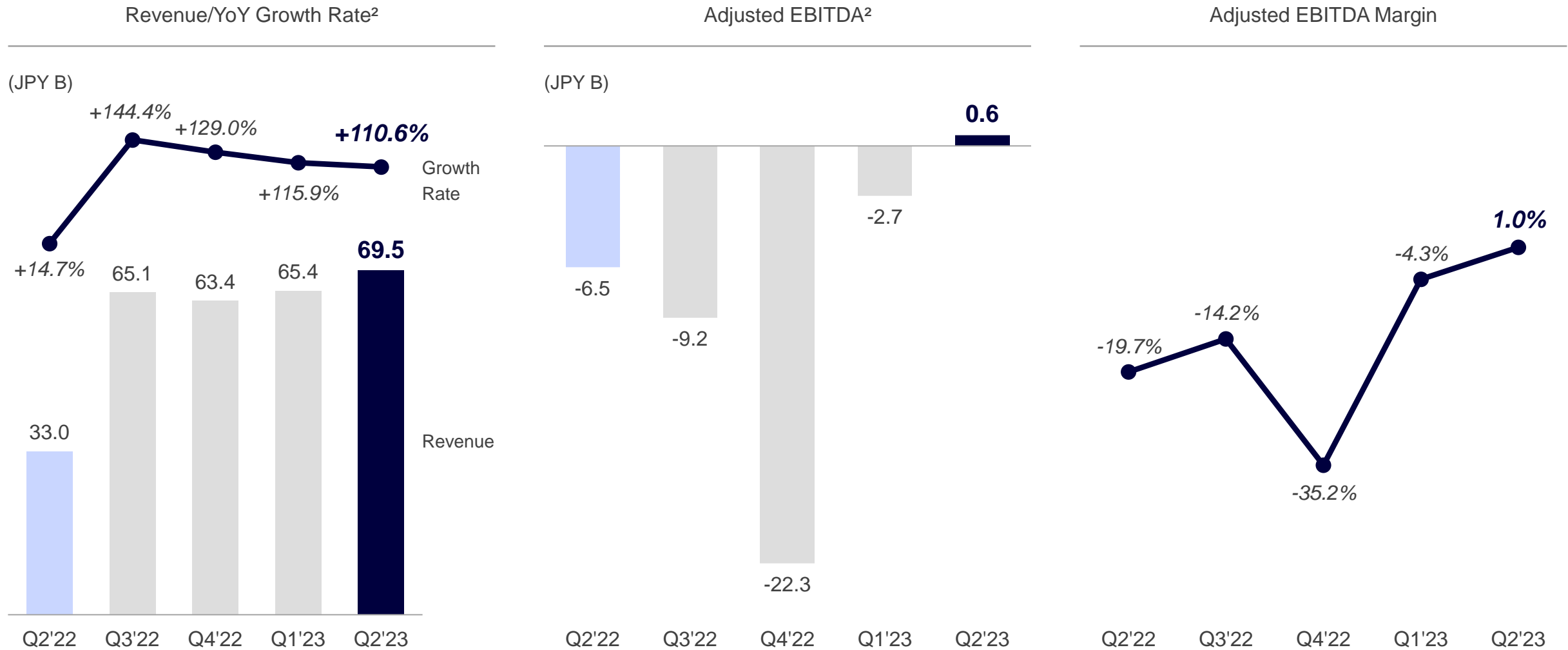


Contribution to LY Corporation's Ecosystem



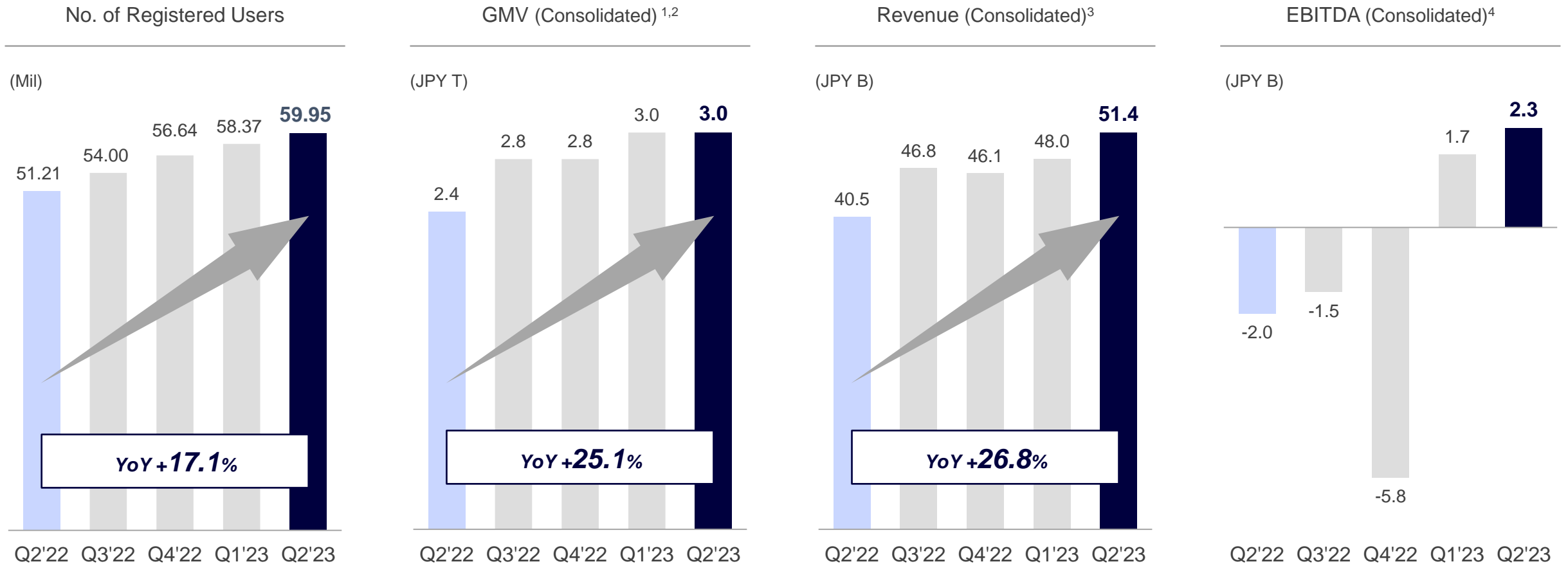
1. The average number of orders placed on Yahoo! JAPAN Shopping was compared with the combined number of orders made by users on (i) Yahoo! JAPAN Shopping and ZOZOTOWN Yahoo! JAPAN Store, and on (ii) Yahoo! JAPAN Shopping and LOHACO Yahoo! JAPAN Store in FY2022.

- Achieved profitability for the first time as a result of selectively focusing on key business areas.



1. Includes PayPay Corporation and PayPay Card Corporation. Figures are shown after the elimination of internal transactions between the two companies and have been independently calculated following relevant IFRS adjustments.
 2. From FY2023 Q1, part of the expenses related to LINE Corporation and its subsidiaries, which were previously allocated under Others and Adjustments, have been allocated to Strategic Business. The segment information for FY2022 has been revised as a result.

- Consolidated revenue and EBITDA continued to grow, although QoQ growth of consolidated GMV remained flat.

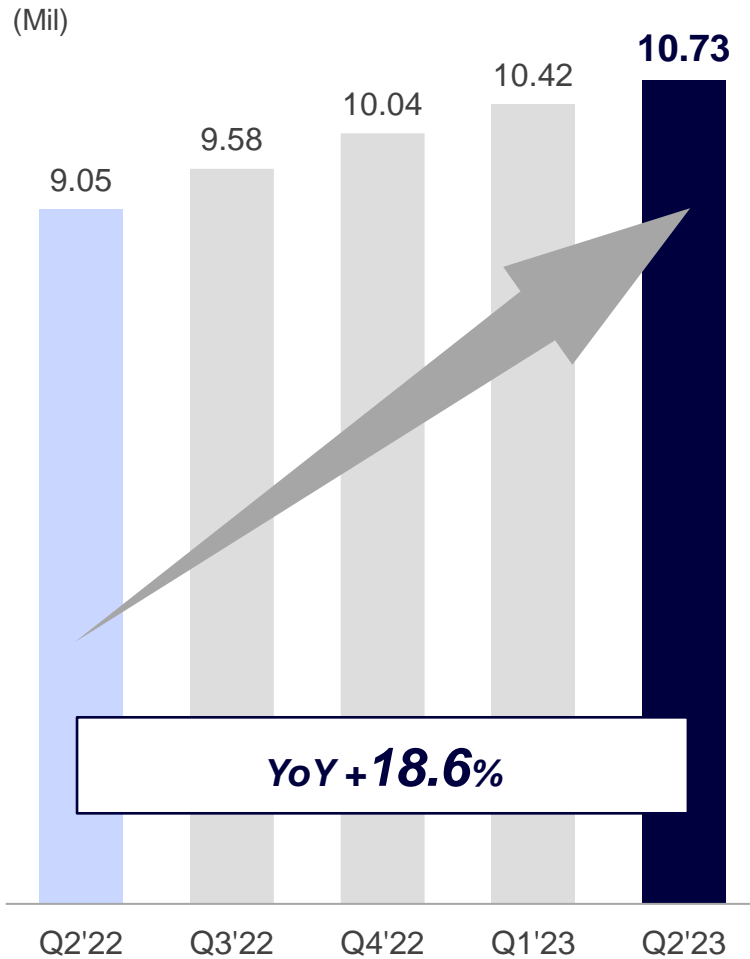


- The use of the "Send/Receive" function of "PayPay Balance" between users is not included. From FY2021 Q4 onward, payments via Alipay and LINE Pay, etc. are included. Payments through "Credit (formerly known as Atobarai)" launched in February 2022 are included.
- Figures are rounded down to the nearest billion yen and then rounded off to the nearest JPY100 billion.
- PayPay Corporation's consolidated revenue. Consolidated the financial statements of PayPay Card Corporation from the beginning of FY2021 due to the application of pooling of interest method. Figures are shown after the elimination of internal transactions between the two companies. These figures have not been audited.
- PayPay Corporation's consolidated EBITDA. Calculated by adding depreciation and amortization to operating income. Consolidated financial statements of PayPay Card Corporation from the beginning of FY2021 due to the application of pooling of interest method. Figures are shown after the elimination of internal transactions between the two companies. These figures have not been audited.

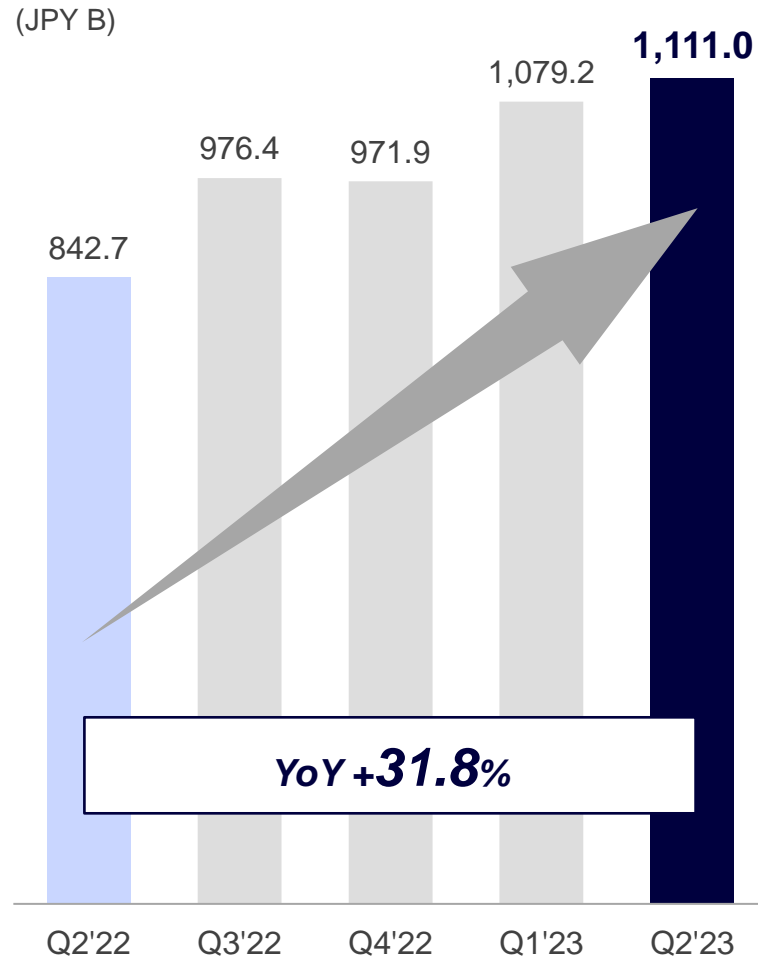
PayPay Card – Major KPIs

- Synergy with PayPay contributed to a 30% growth in transaction volume.

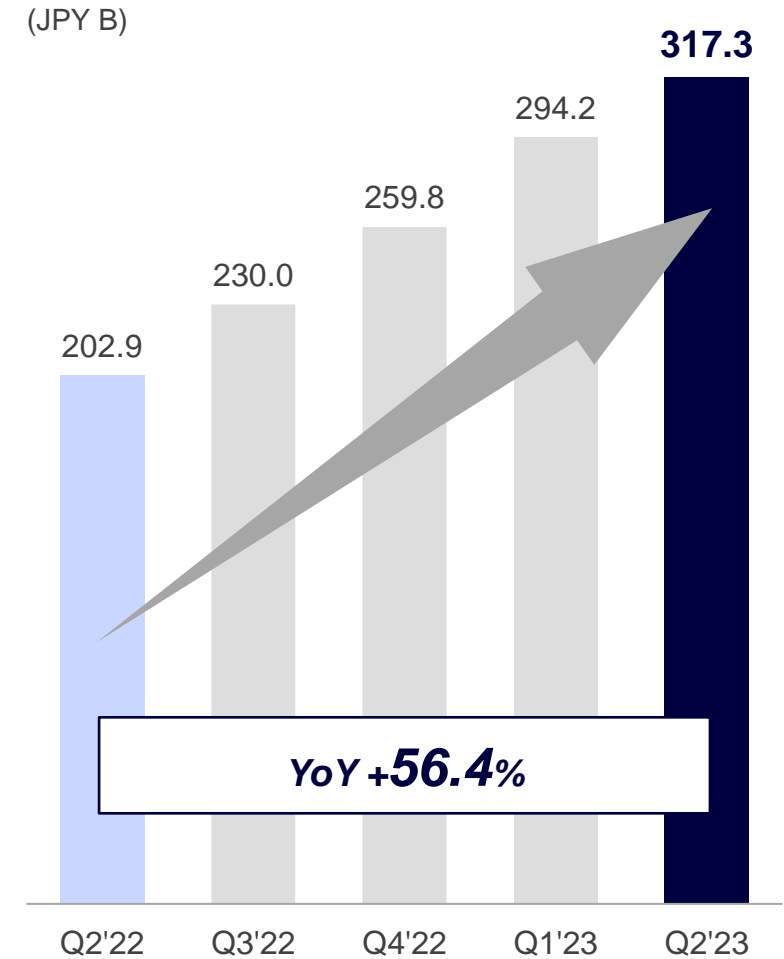
Active Cardholders



Transaction Volume¹



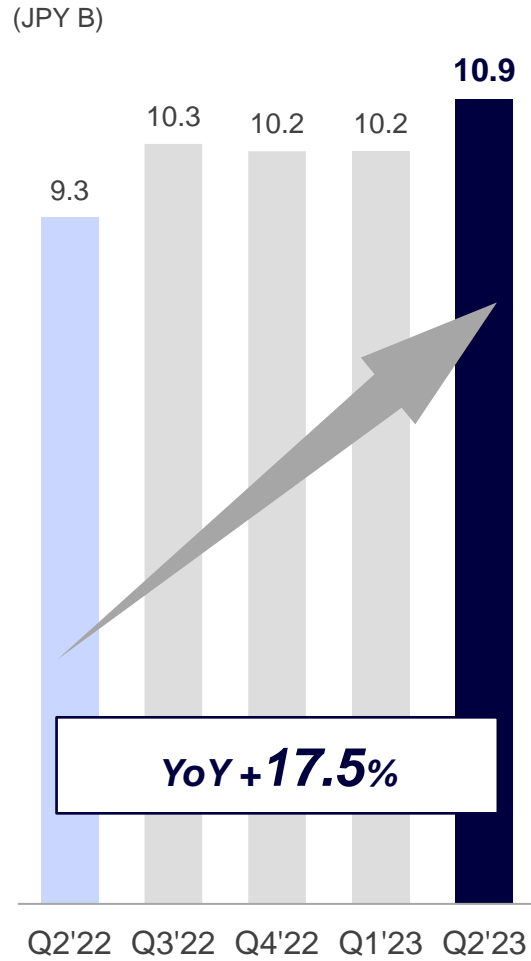
Revolving Balance



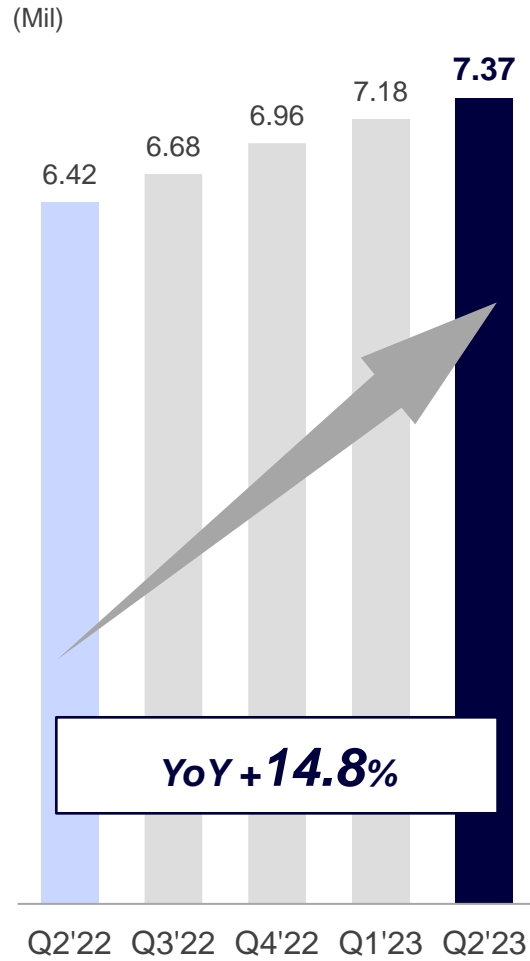
1. Payments through "Credit (formerly known as Atobarai)" launched in February 2022 are included.

- Steady business expansion has brought about double-digit growth for each KPI.

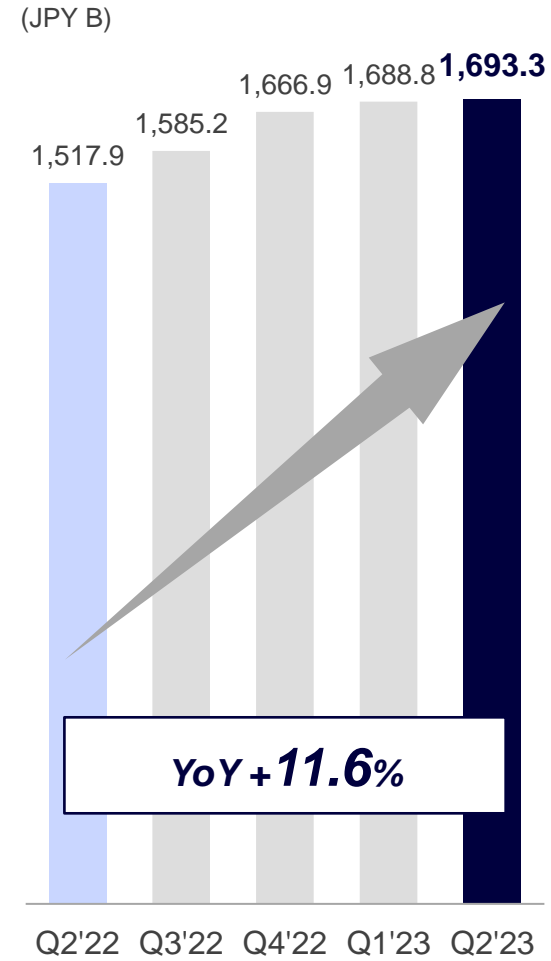
Revenue



No. of Accounts



Deposit Balance



Loan Balance

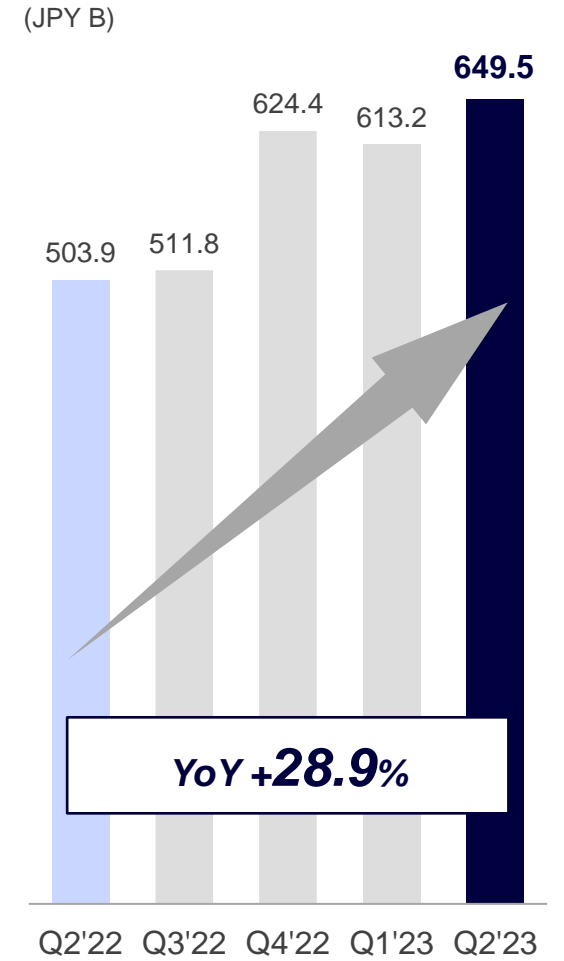
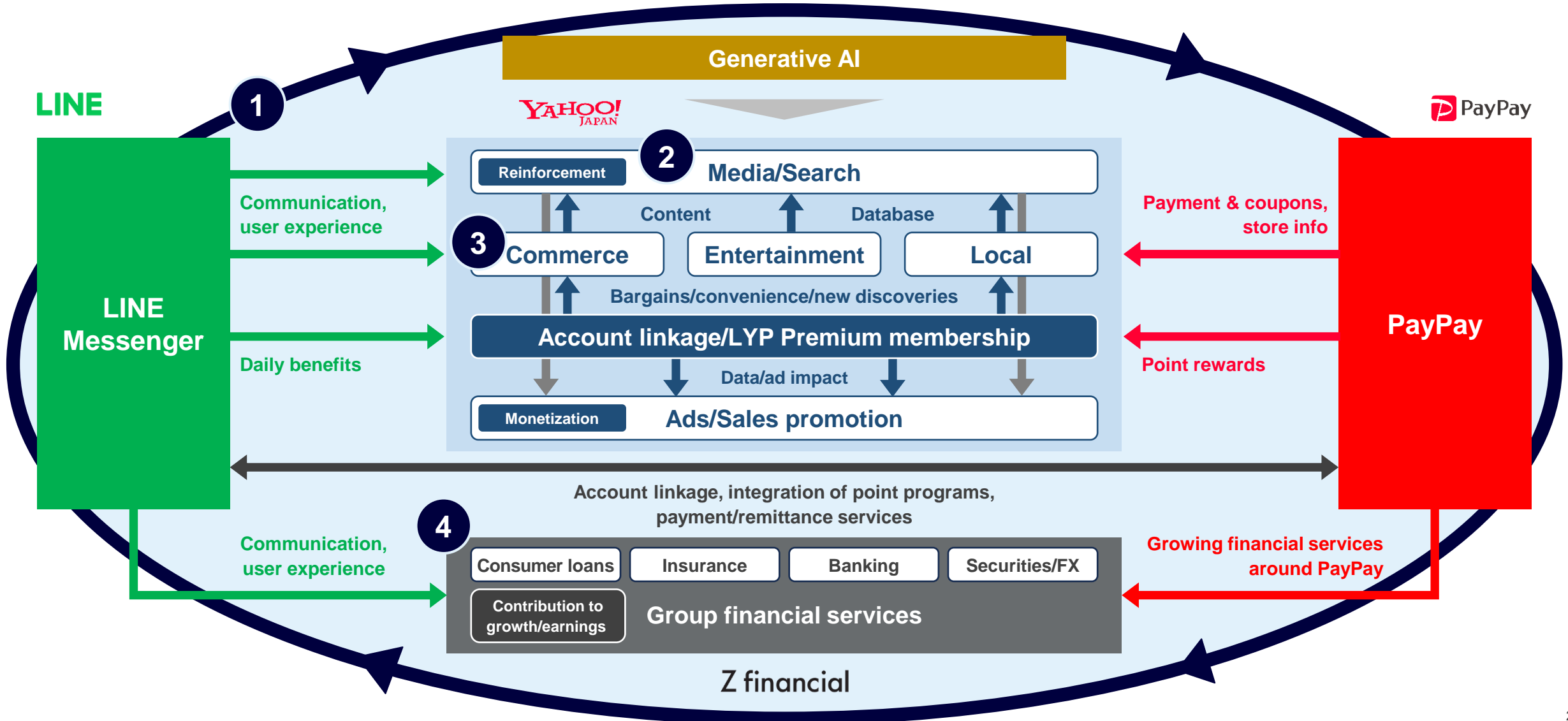


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Future Initiatives

- ① Cross-Use
- ② Search
- ③ Commerce
- ④ Fintech



Future Initiatives

1 Cross-Use

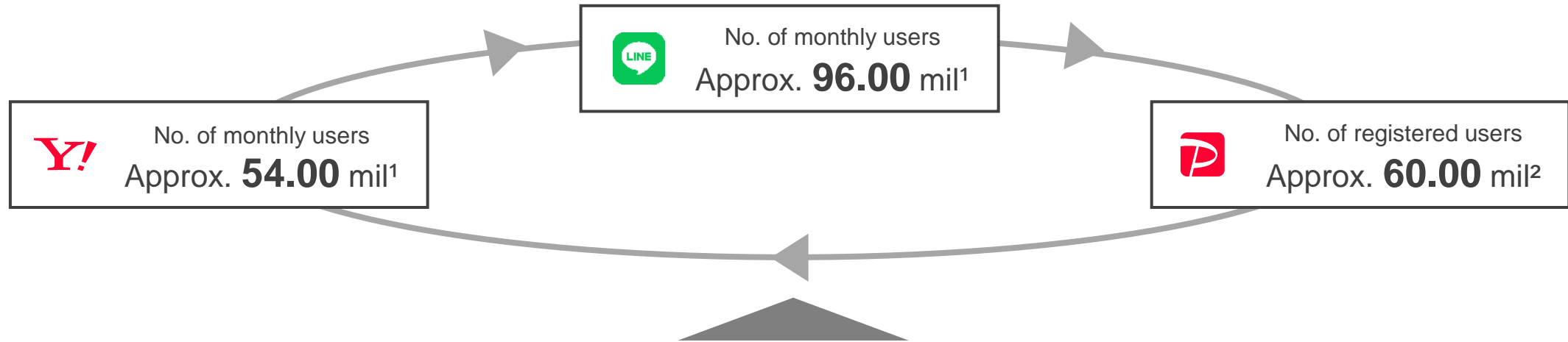
2 Search

3 Commerce

4 Fintech

1. Future Cross-Use Concept

- Further reinforcing linkage among LINE, Yahoo! JAPAN, and PayPay, while promoting cross-use.



Implementing measures to promote cross-use of services one after another

Account Linkage

LYP Premium

LINE Renewal

1. As of September 30, 2023

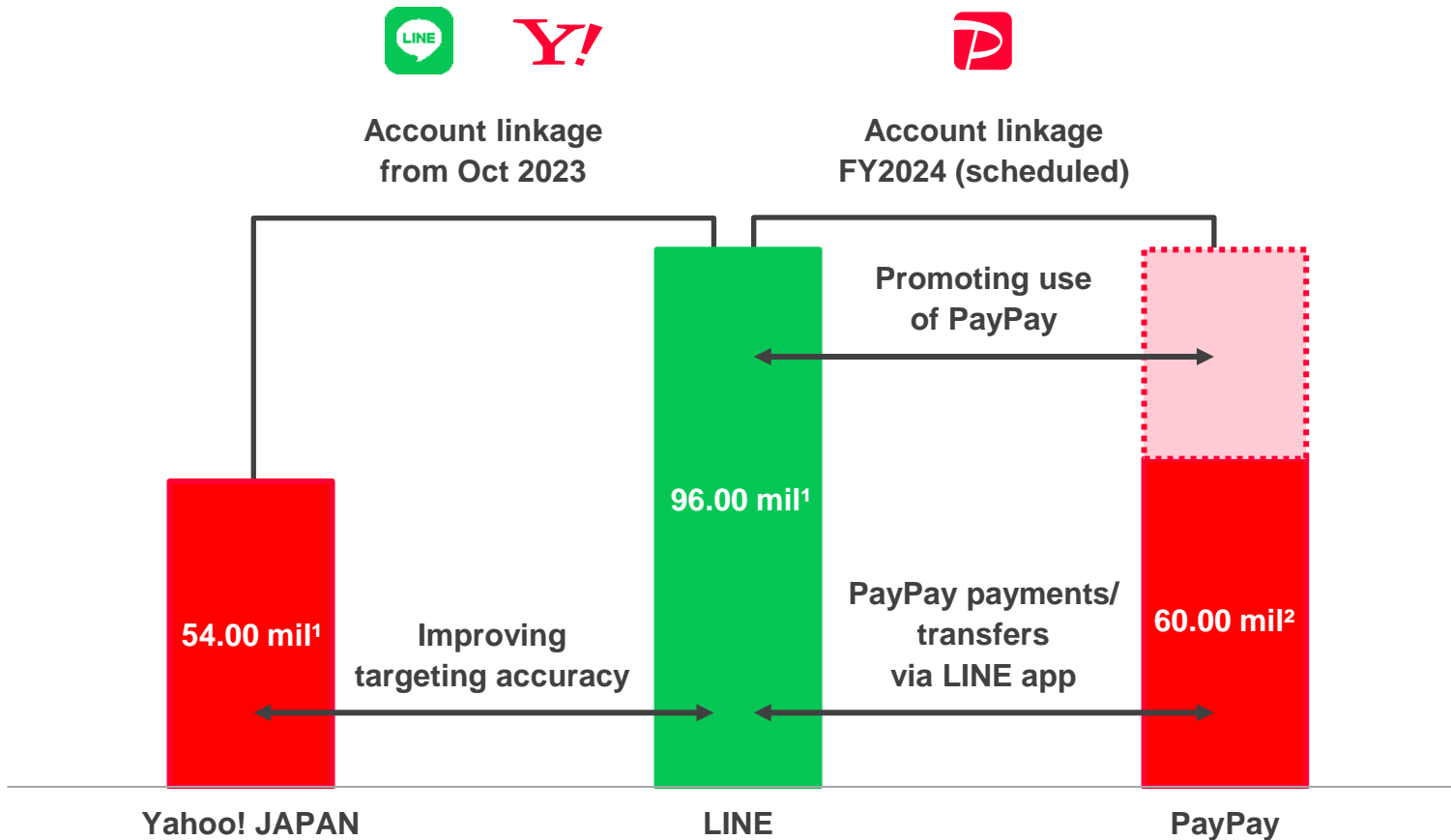
2. As of October 4, 2023

1. Measures to Promote Cross-Use – Account Linkage

- Linkage between LINE and Yahoo! JAPAN accounts has begun, and the number of links is steadily growing.

Overview of Account Linkage

Results/Effects



Results to Date

(As of November 6, 2023)

No. of LINE and Yahoo! JAPAN account links: 19.48 mil³

Anticipated Effects

- Increase in cross-use of services**
- Increase in ad revenue**
(To be realized from FY2024 onward as the account linkage ratio rises)
- Increase in PayPay users**

1. As of September 30, 2023

2. As of October 4, 2023

3. Linkage of LINE and Yahoo! JAPAN accounts. Account linkage is being made available to users gradually from October 4, 2023, depending on server load.

1. Measures to Promote Cross-Use – LYP Premium¹

- Scheduled for release on November 29, with new LINE membership benefits added to attract new members.

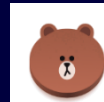





Current Membership Benefits (Excerpt)

 <p>Yahoo! JAPAN Shopping – Bargains²</p>	 <p>Exclusive PayPay Coupons²</p>	 <p>Listing in Yahoo! JAPAN Auction – Reduced fees</p>
 <p>Manga & magazines – Discounts²</p>	 <p>Hotel reservations/ Travel – Special deals²</p>	 <p>Restaurant reservation – Special deals²</p>



New LINE Membership Benefits

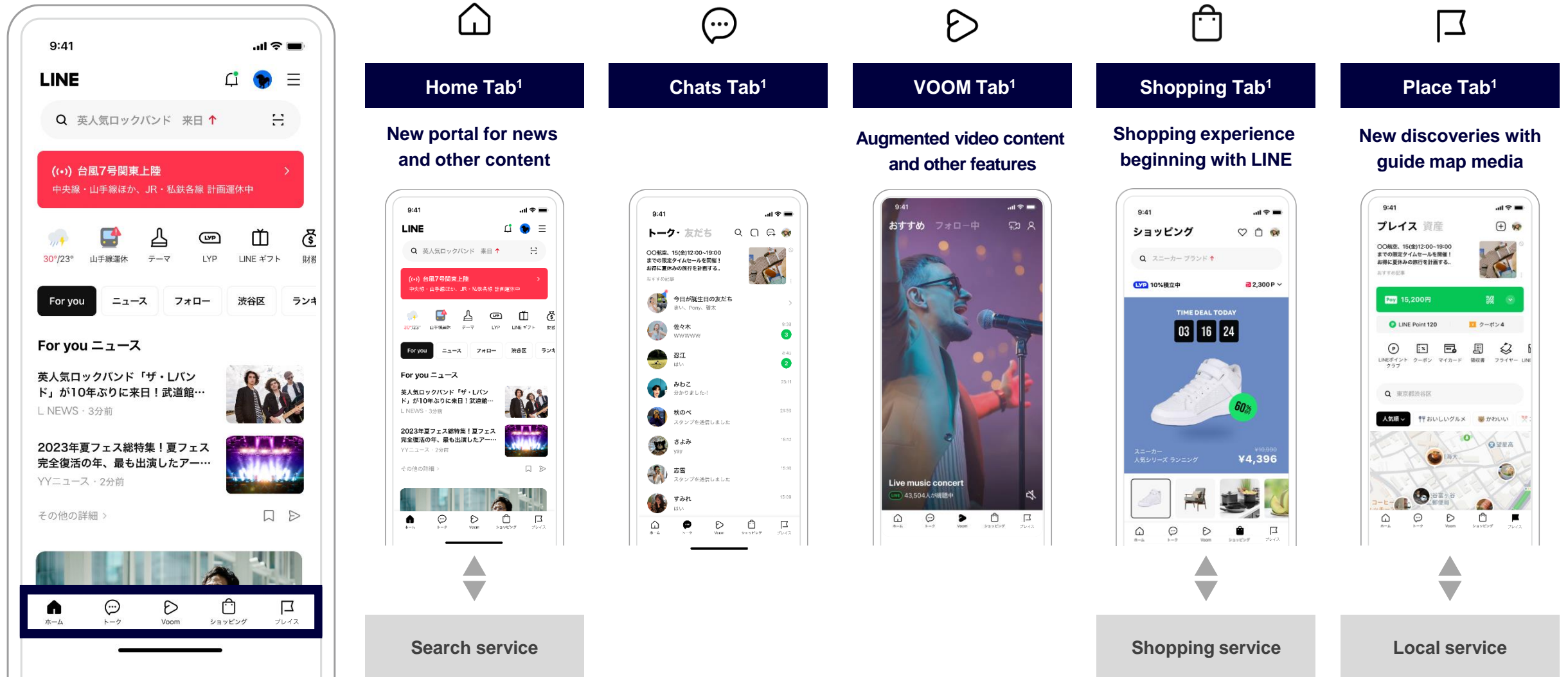
 <p>Unlimited use of 12 mil+ select stickers</p>	 <p>Ability to add videos and original quality to albums</p>
 <p>Selection of members-only fonts</p>	 <p>Ability to customize ringtones/ringback tones according to musical preferences</p>

1. Monthly fee: JPY508

2. PayPay Points are granted for payments made with specified payment methods. Subject to conditions and limits. (PayPay Points can also be used at official stores of PayPay and PayPay Card and are non-withdrawable/non-transferable.)

1. Measures to Promote Cross-Use – LINE Renewal

- Promoting further cross-use among LINE users with the (planned) renewal of LINE app.



1. The content depicted in these images is under development and may be subject to changes in the future.

Future Initiatives

1 Cross-Use

2 Search

3 Commerce

4 Fintech

2. Search – Areas of Reinforcement

- Augmenting search traffic and key query domains.

Augmenting Search Traffic

Approx. **80%** of Yahoo! JAPAN Search users come from Yahoo! JAPAN Top Page


Ongoing Measures to Enhance the Yahoo! JAPAN Top Page

FY2023 1st Half Key Measures for the Yahoo! JAPAN App

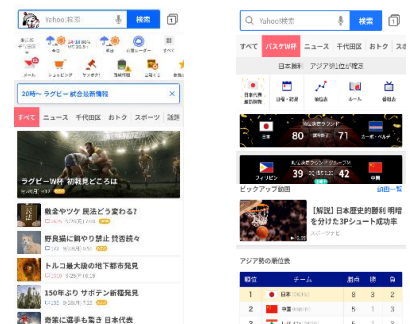
Augmenting Weather Features

Providing Comprehensive Sports Info

- Enhanced radar feature
- Increased contact with weather info through notifications

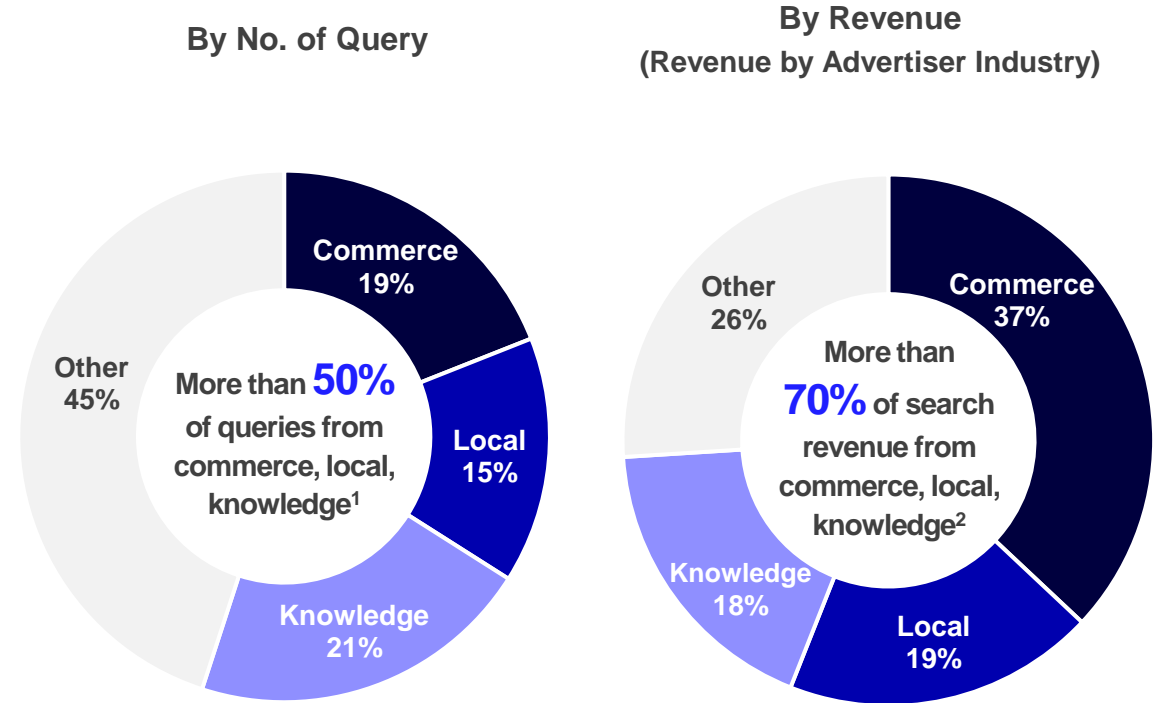


- Improved sports tab UX
- Comprehensive sports info found throughout the Yahoo! JAPAN app



FY2023 Q2 Yahoo! JAPAN App DAU **YoY +5.6%**

Percentage by Key Query Domain (Commerce/Local/Knowledge)¹



1. Estimated classifications according to queries made in FY2022.
 2. Estimated based on advertisers' industry classifications for FY2022 search advertising revenue.

2. Search – Initiatives

- Various initiatives underway.
- New ad product launches planned from second half of FY2023.

1st Half of FY2023 – Initiatives

2nd Half of FY2023 – Initiatives

LINE Search

Local

Knowledge

Yahoo! JAPAN Search now available from within LINE app



Improved UI/UX for restaurant search



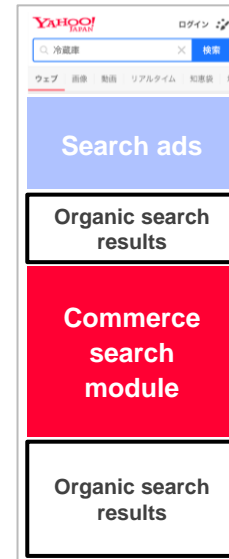
Enriched celebrity profiles



Commerce¹

Shopping Search Ads launch (planned)

Smartphone search result (image)



NEW

Shopping Search Ads

- CPC (cost per click) fee structure
- Displayed at the top of the search module²

Product Information Listings

- CPA (cost per acquisition) fee structure
- No need for ad management

1. The content depicted in these images is under development and may be subject to changes in the future.
 2. For smartphones only.

2. Search – Generative AI

• Preparing to launch new search experiences utilizing generative AI.

Application to Search¹

- Provision of new search experiences including Chat-type UI
- Testing to begin in stages from October 2023



Application to Knowledge Search (Chiebukuro)¹

- Response from both humans and AI
- Generating high-quality questions to solicit answers
- Scheduled to be launched in November 2023



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Future Initiatives

1 Cross-Use

2 Search

3 Commerce

4 Fintech

3. Commerce

- Both LINE and Yahoo! JAPAN Search will provide convenient commerce experiences at great value.

A wide variety of commerce experiences



NEW

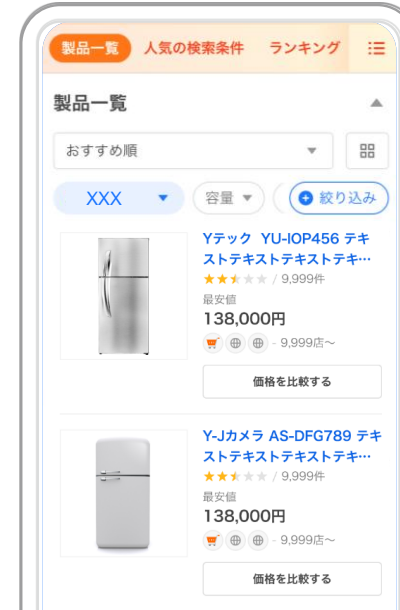
LYP Premium Membership¹

LYP Premium



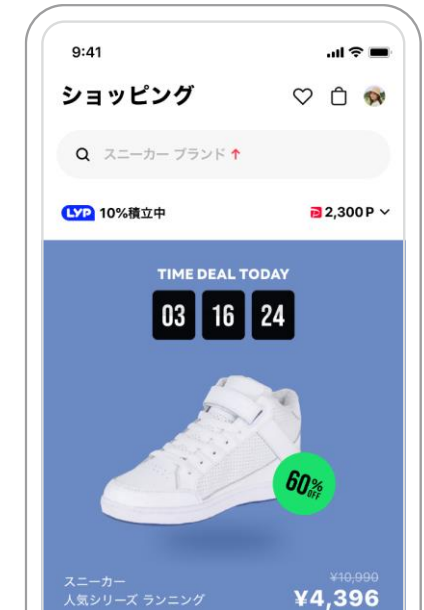
NEW

Integrated Commerce Search¹



NEW

Shopping Tab¹



1. The content depicted in these images is under development and may be subject to changes in the future.

Future Initiatives

1 Cross-Use











2 Search

3 Commerce

4 Fintech

4. Fintech

- Reorganized financial businesses and consolidated overlapping businesses.

Credit Card	Banking	Securities/FX	Insurance	Consumer Loans
 <p>Consolidated PayPay Card</p> <p>Accelerated the generation of synergy</p>	<p>LINE Bank (Japan)</p> <ul style="list-style-type: none"> Cancelled launch Reallocated personnel <p>Unified into PayPay Bank</p>	 <p>Reorganized securities business</p> <p>PayPay Securities: Capital investment by PayPay LINE Securities: Focus on FX</p>	 <p>Terminated service</p> <p>Unified into PayPay Insurance</p>	 <p>Business succeeded to LINE Credit</p> <p>Unified into LINE Credit</p>
 <p>100%¹ (subsidiary)</p>	 <p>47%¹ (subsidiary)</p>	 <p>35%¹ (equity-method affiliate)</p>  <p>51%¹ (equity-method affiliate)</p>	 <p>60%¹ (subsidiary)</p>	 <p>51%¹ (subsidiary)</p>

Anticipated Improvement to Adjusted EBITDA (1st Half/YoY Comparison)

JPY 7.8 B

1. Percentage of voting rights.

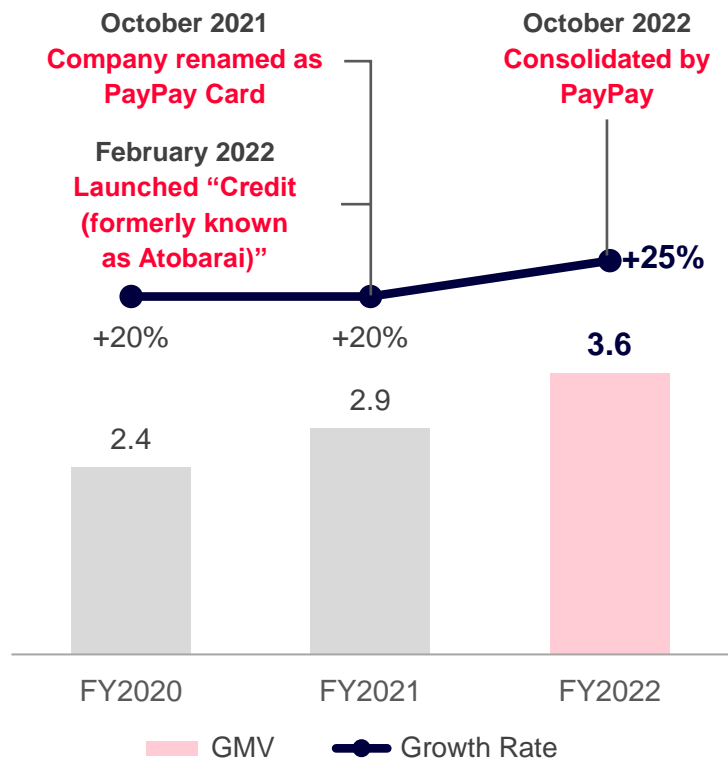
4. Fintech – Service Linkage

- Other financial businesses expanding due to service linkages centering on PayPay.

Linkage between PayPay and Other Financial Businesses

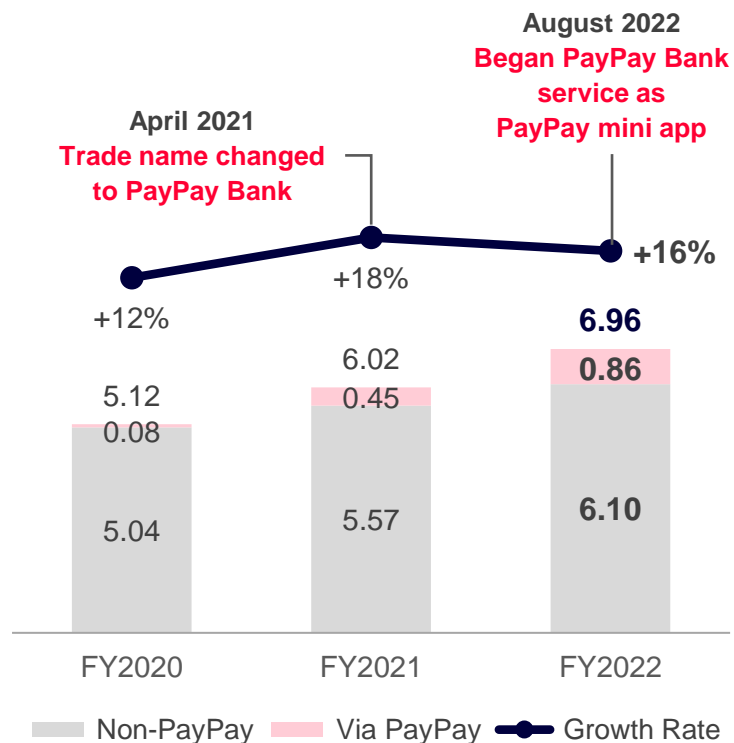
PayPay Card – Transaction Volume¹

(JPY T)



PayPay Bank – No. of Accounts (By Account Registration Referral Path)

(Mil)

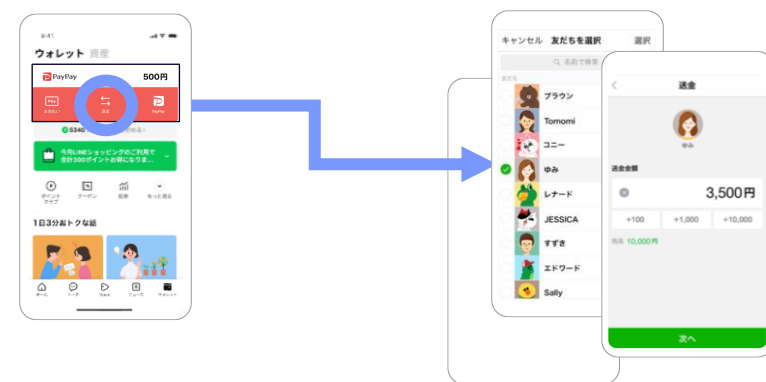


Linkage between LINE and PayPay (Planned)²

PayPay Payments via LINE App



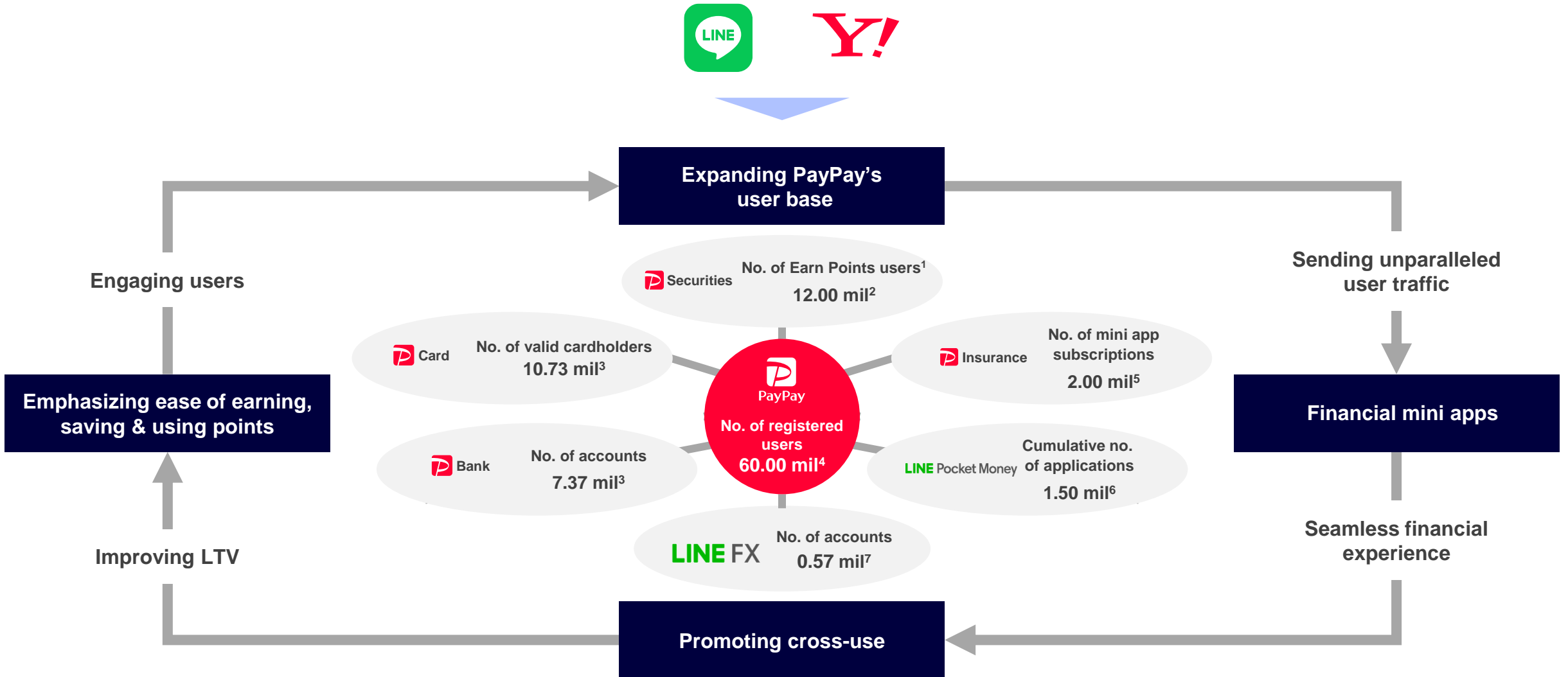
PayPay Transfers to LINE Friends



- Payments through "Credit (formerly known as Atobarai)" launched in February 2022 are included.
- The content depicted in these images is under development and may be subject to changes in the future.

4. Finance – Growth Cycle

- Propelling the growth of financial services with the backing of LINE and Yahoo! JAPAN.



Action to Implement Management That Is Conscious of Cost of Capital and Stock Price



Action to Implement Management That Is Conscious of Cost of Capital and Stock Price

- Aiming to promptly achieve a positive equity spread with cost of equity as the primary indicator for cost of capital.

Capital Policy Issues

Capital efficiency
deteriorated
due to large-
scale investments

Urgent need to
recover EPS
to pre-integration level

Interest-bearing
liabilities currently are at
appropriate level

Adopting **cost of equity** as primary indicator for cost of capital

Current Status Analysis and Measures

Cost of equity
(for the past year)

Around **6.5 - 7.5%**

Measures to
achieve a
positive equity
spread

Promptly recover
adjusted EPS
to pre-integration level
(JPY18.7)

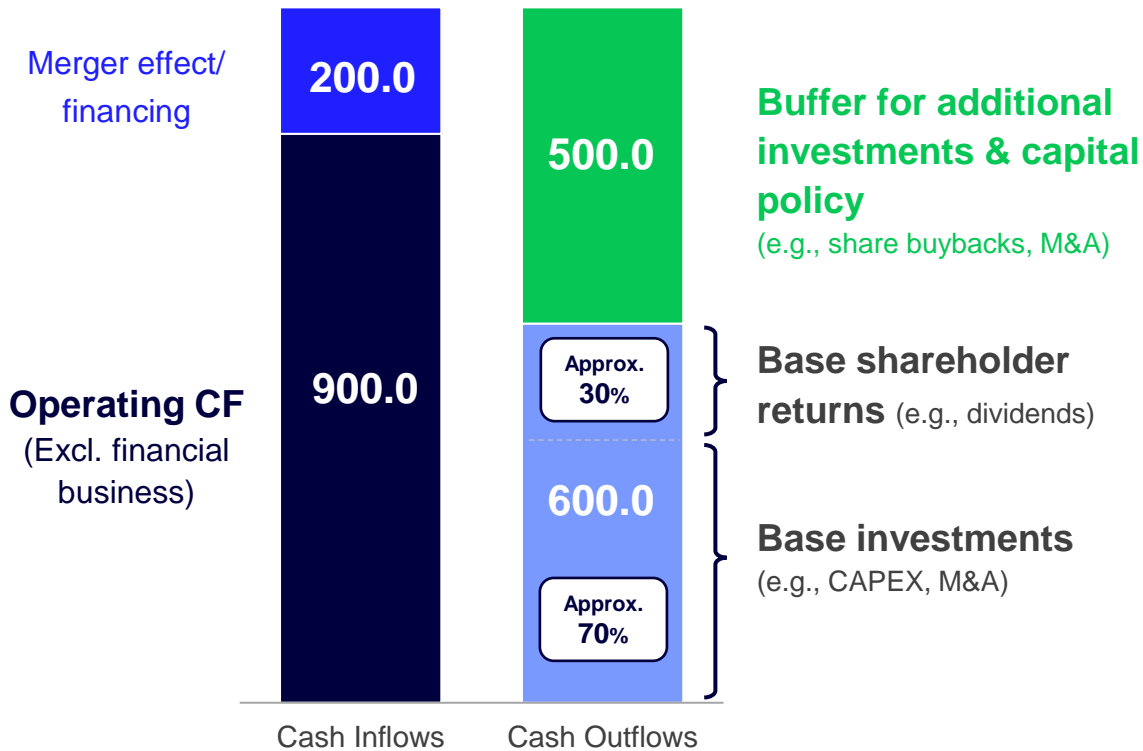
Measures to Recover Adjusted EPS

- Aiming for a prompt recovery in adjusted EPS by improving profitability and optimizing equity with a clear capital allocation policy.

Capital Allocation Policy¹ (Cumulative Approximate Value for FY2023-2025)

(JPY B)

Covering base investments/shareholder returns with operating cash flow

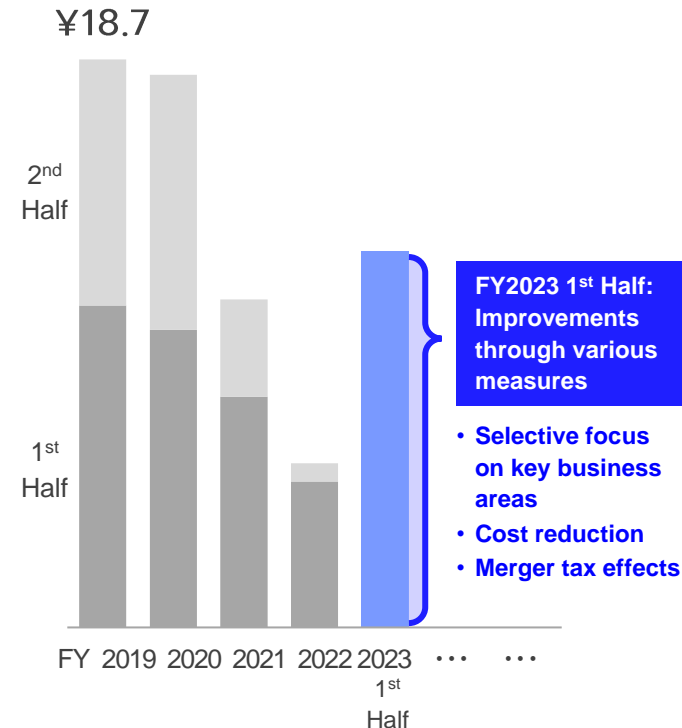


1. Excluding financial business.

Current Status and Measures

(Adjusted EPS, JPY)

Within around 3-4 years, recover to pre-integration level



1 Adjusted EPS adopted as evaluation criteria for executive remuneration

- Incentive to foster a sense of shared interest with shareholders

2 Improving profitability (numerator)

- Improving equity in earnings (losses) of associates and joint ventures
- Analyzing/improving factors that increase/decrease net income

3 Optimizing equity (denominator)

- Clarifying capital allocation policy and disclosing B/S by business
- Exploring ways of optimizing shareholders' equity

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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.

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LY

Create an amazing life platform that brings WOW! to our users.