

# LY Corporation Business Results

## FY2023 Q3

February 6, 2024

Security Code: 4689

**LINEヤフー**

## FY2023 Q3 Business Results - Topics

- **Full-year guidance was revised upward with an adjusted EBITDA of JPY109.8 billion (YoY +17.4%).**
  - **Q3 revenue achieved a record high of JPY475.0 billion (YoY +4.7%).**
- 

### Consolidated Results

- Total advertising revenue grew by 3.7% YoY as a result of a recovery in display advertising.
- Domestic merchandise transaction value in e-commerce turned to positive growth at a rate of 1.7% YoY.
- Strategic Business: Adjusted EBITDA remained positive, and the business is expected to be profitable for the year in full.

### Topics

- Since the launch of LYP Premium, the daily number of new memberships has more than doubled.
- New AI-driven service for ad creatives and delivery to launch in April 2024.
- Adjusted EPS recovered faster than expected as a result of a selective focus on key business areas and temporary factors.

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**1 Consolidated Business Results – Entire Group**

**2 Business Results/Topics – By Segment**

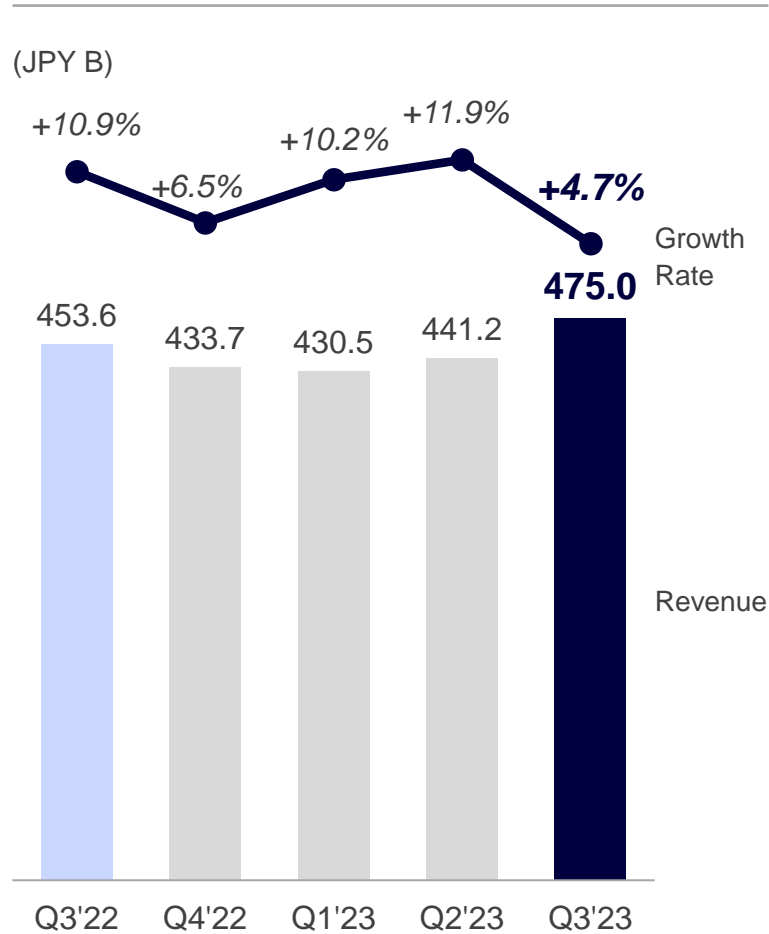
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**1 Consolidated Business Results – Entire Group**

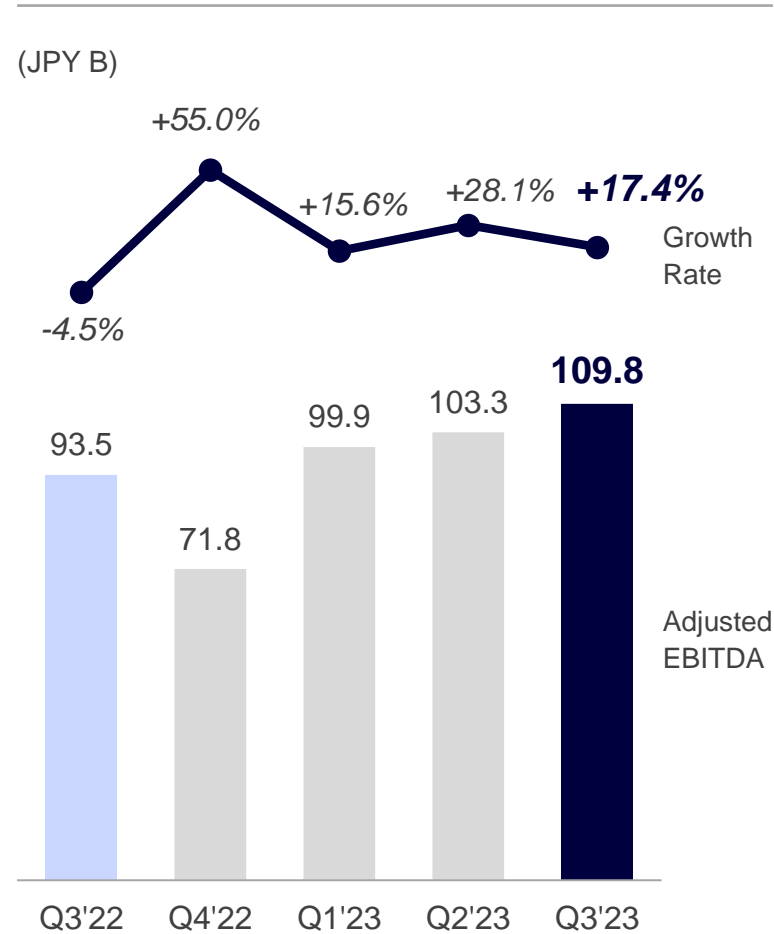
2 Business Results/Topics – By Segment

- The growth of Media Business and subsidiaries led to increased revenue while cost optimization and a selective focus on key business areas helped maintain double-digit income growth.

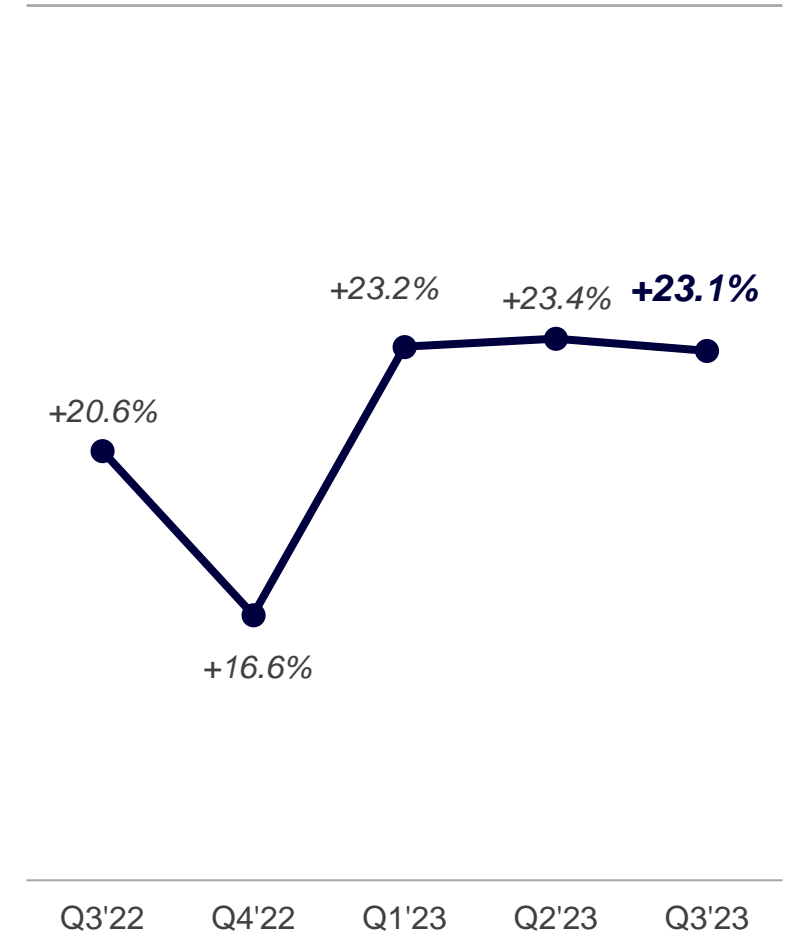
Revenue/YoY Growth Rate



Adjusted EBITDA/YoY Growth Rate



Adjusted EBITDA Margin

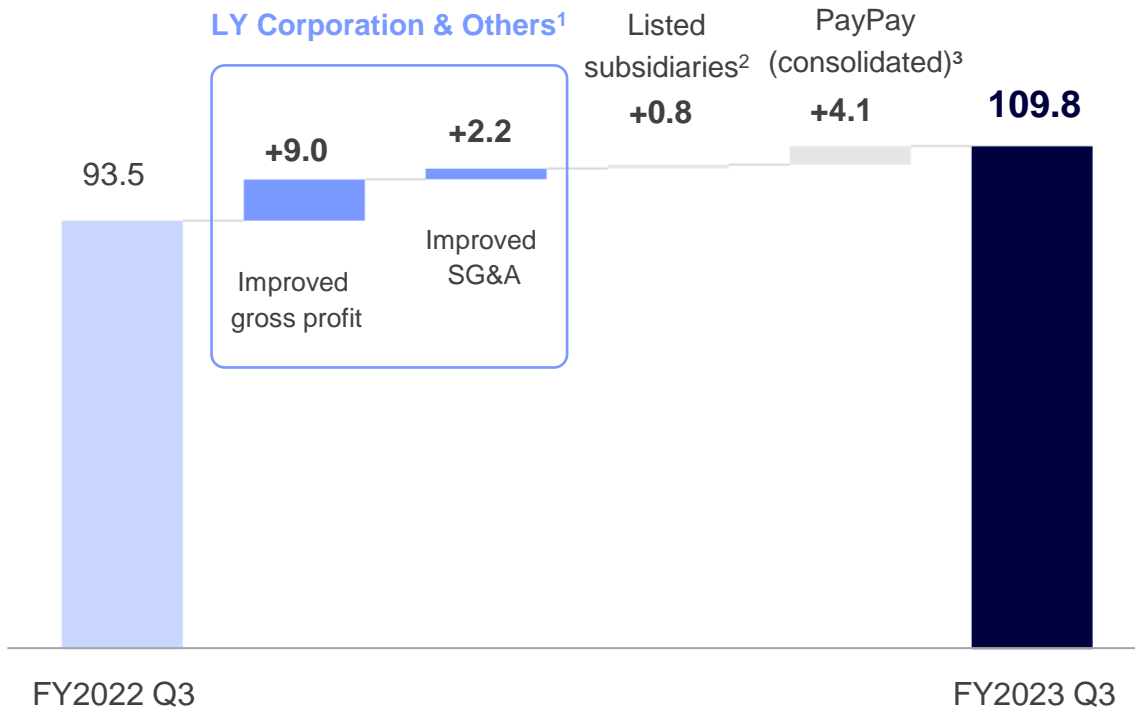


## Factors Behind Change in Adjusted EBITDA

- LY Corporation's improved gross profit was a larger contributor to adjusted EBITDA growth than the improved SG&A.

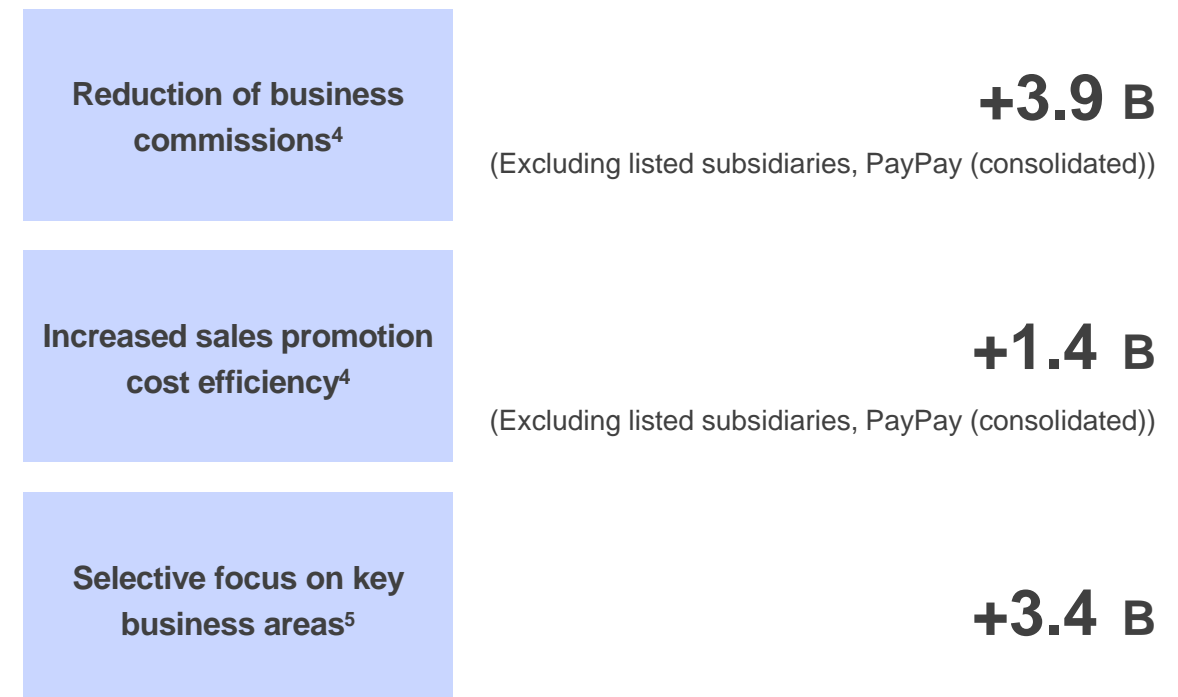
Factors Behind Change in Adjusted EBITDA

(JPY B)



Improvements in FY2023 Q3 (SG&amp;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.

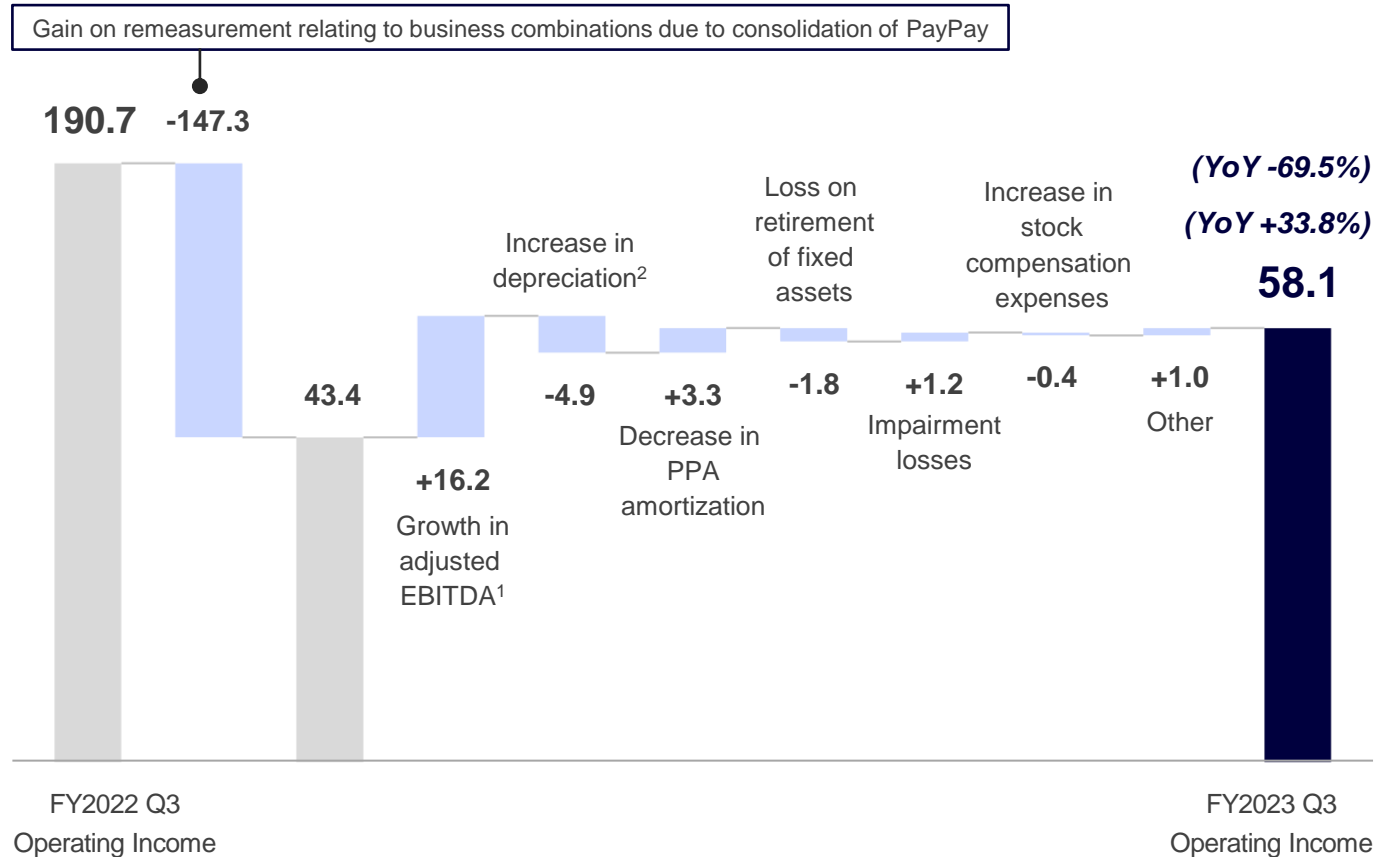
4. Amount of improvement according to financial accounting-based SG&A.

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

## Factors Behind Change in Operating Income

- Excluding a one-time gain from the consolidation of PayPay, improved profitability resulted in a 33% increase in operating income.

(JPY B)



(JPY B)

	FY2022 Q3	FY2023 Q3	YoY
Adjusted EBITDA <sup>1</sup>	93.5	109.8	+16.2
Depreciation <sup>2</sup>	29.0	33.9	+4.9
PPA amortization	9.2	5.9	-3.3
Loss on retirement of fixed assets	0.3	2.1	+1.8
Impairment losses	2.4	1.1	-1.2
Stock compensation expenses	3.8	4.2	+0.4
Other	5.1	4.1	-1.0
Gain on remeasurement relating to business combinations due to consolidation of PayPay	147.3	-	-147.3
<b>Operating income</b>	<b>190.7</b>	<b>58.1</b>	<b>-132.6</b>
<b>Operating income (excluding gain on remeasurement relating to business combinations due to consolidation of PayPay)</b>	<b>43.4</b>	<b>58.1</b>	<b>+14.6</b>

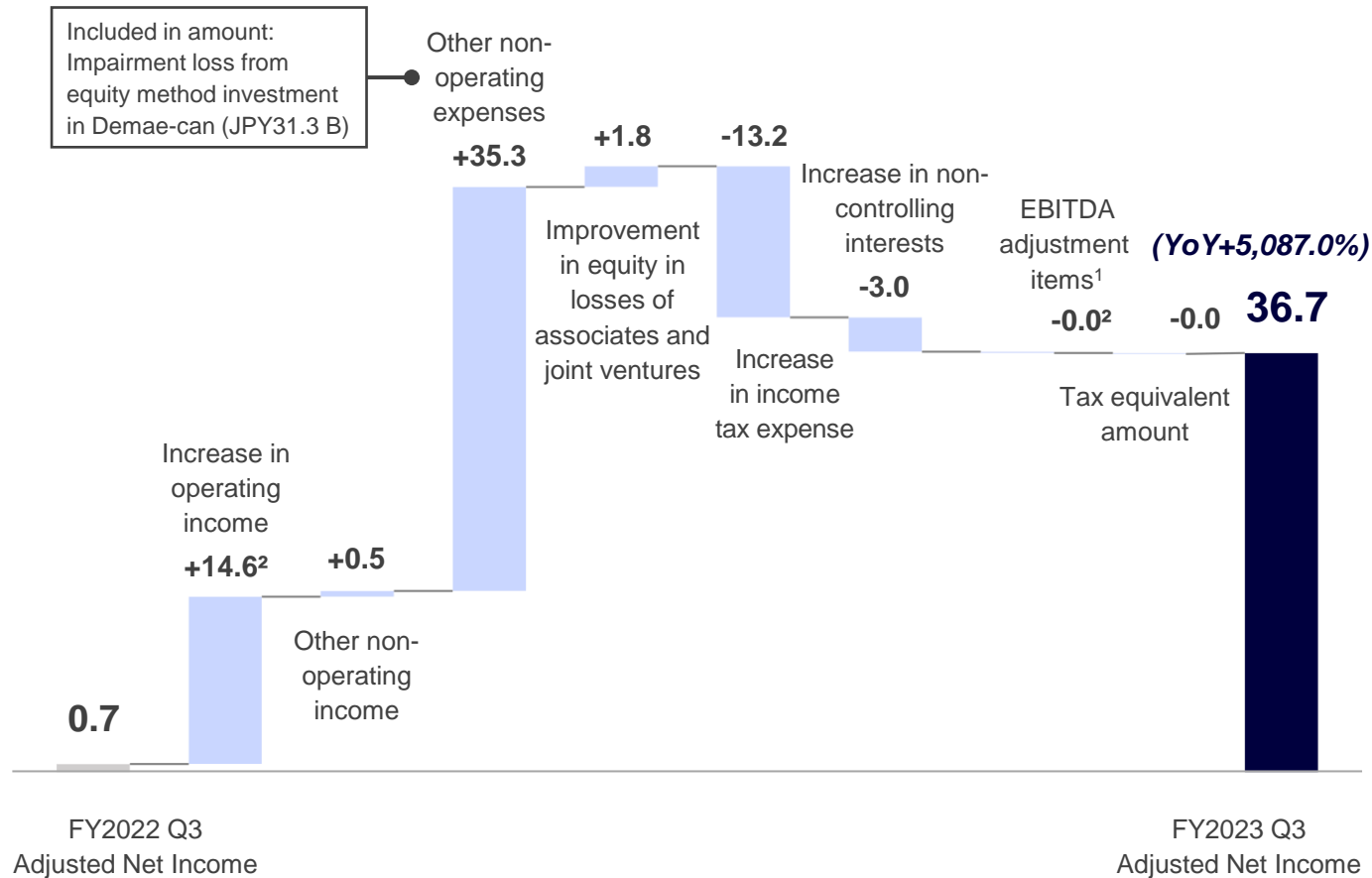
1. Adjusted EBITDA: Operating income + depreciation & amortization ± EBITDA adjustment items. EBITDA adjustment items: Gains/losses on non-recurring and non-cash transactions within operating revenue and expenses (loss on retirement of fixed assets, impairment losses, stock compensation expenses, gains/losses 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

- In addition to increased operating income, the absence of impairment losses from the previous year led to a significant growth in adjusted net income.

(JPY B)



(JPY B)

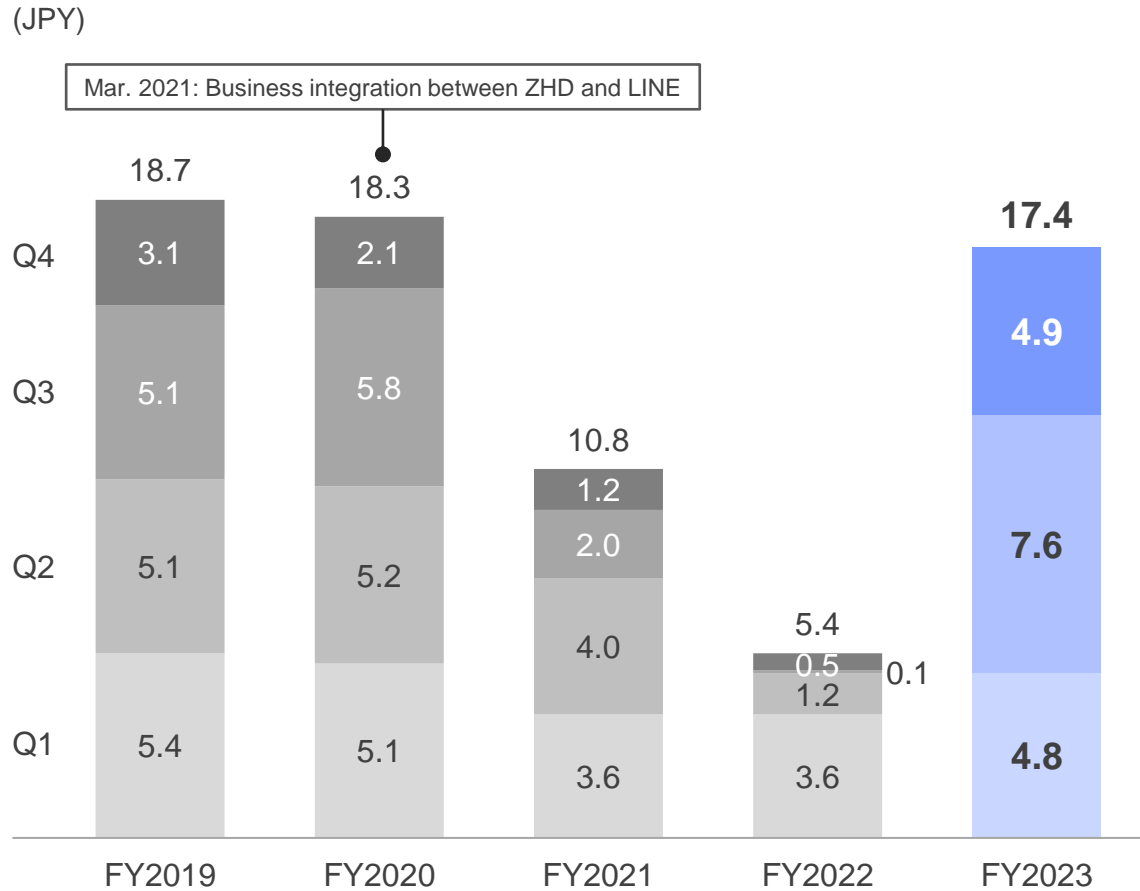
	FY2022 Q3	FY2023 Q3	YoY
Operating income	190.7	58.1	-132.6
Operating income (excluding gain on remeasurement relating to business combinations due to consolidation of PayPay)	43.4	58.1	+14.6
Other non-operating income	0.8	1.3	+0.5
Other non-operating expenses	42.9	7.5	-35.3
Equity in losses of associates and joint ventures	-7.0	-5.2	+1.8
Income tax expense	-1.6	11.5	+13.2
Non-controlling interests	3.4	6.5	+3.0
<b>Net income attributable to owners of the parent</b>	<b>-7.4<sup>2</sup></b>	<b>28.7</b>	<b>+36.1</b>
EBITDA adjustment items <sup>1</sup>	11.7 <sup>2</sup>	11.7	-0
Tax equivalent amount	3.6	3.7	-0
<b>Adjusted net income</b>	<b>0.7</b>	<b>36.7</b>	<b>+36.0</b>

- 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.
- The figure excludes JPY147.3 billion in gain on remeasurement relating to business combinations due to consolidation of PayPay.



- Adjusted EPS recovered faster than expected as a result of a selective focus on key business areas and temporary factors.

Adjusted EPS



Policy and Measures

Policy

Within around 3-4 years, recover to pre-integration level (JPY18.7 in FY2019)

Measures

- Adjusted EPS adopted as evaluation criteria for executive remuneration
- Improving profitability (numerator)
- Optimizing equity (denominator)

- Improvements in development work efficiency as well as ad features.

Development Work

**Introduction of GitHub Copilot**

- Offers AI-based coding and improvement suggestions, etc. to increase coding efficiency.
- Since October 13, 2023, GitHub Copilot is being gradually introduced to all engineers (approx. 7,000<sup>1</sup>) at LY Corporation.



**Effect**

Number of hours spent coding per day

Decreased by approx. 1-2 hours

Development work indicators<sup>2</sup>

Increased by approx. 10-30%

Search Ads

**Automated Generation of Creatives**

- Automatically generates creatives based on past creatives and performance.

Scheduled to launch in Apr. 2024

Input information (e.g., no. of characters, keywords, and product information)



Original AI fine-tuned with data of Yahoo! JAPAN Ads

Generate creatives

Display Ads

**Automated Targeting**

- Delivers ads based on an automated prediction of conversion-ready users.

**LINE Ads – Auto Targeting**



Launched in Apr. 2023

**Yahoo! JAPAN Ads – Smart Targeting**



Scheduled to launch in Mar. 2024

1. As of January 31, 2024, approximately 1,400 engineers are currently using GitHub Copilot.

2. An overall evaluation was made based on indicators such as those that show the activities of GitHub Copilot users (changed code, shared changes in code, reviewed code). The figure was taken during the trial period before introducing GitHub Copilot.

- Adjusted EBITDA was revised upward as a result of steady progress in selectively focusing on key business areas.
- Figures for FY2022 onward were retroactively revised after revising cost allocation for the entire Group and transferring services across segments.

Segment	Item	Before Retroactive Revision			After Retroactive/Guidance Revision		
		FY2022	FY2023	YoY	FY2022	FY2023	YoY
Entire Group	Revenue	Approx. JPY1.67 T	Approx. JPY1.90 T	Approx. +14%	Approx. JPY1.67 T	Approx. JPY1.82 T	Approx. +9%
	Adjusted EBITDA	JPY332.6 B	JPY356.0 to 366.0 B	Approx. +10%	JPY332.6 B	JPY390.0 B	+17.3 %
Media <sup>1</sup>	Advertising revenue <sup>2</sup>	JPY542.4 B	-	Low single digit %	JPY542.4 B	-	Low single digit %
	Adjusted EBITDA	JPY258.0 B	JPY265.0 B	+2.7 %	JPY238.0 B	JPY251.0 B	+5.5 %
Commerce <sup>1</sup>	Revenue	JPY836.4 B	-	Mid to high single digit %	JPY792.8 B	-	Mid single digit %
	Adjusted EBITDA	JPY154.1 B	JPY172.0 B	+11.6 %	JPY114.5 B	JPY127.0 B	+10.9 %
Strategic	Adjusted EBITDA	Negative JPY46.1 B	Negative JPY25.5 B	-	Negative JPY31.8 B	JPY3.0 B	-
Other/ Adjustments <sup>1, 3, 4</sup>	Adjusted EBITDA	Negative JPY33.3 B	Negative JPY51.5 B	-	JPY11.8 B	JPY9.0 B	-23.7 %

1. In FY2023 Q3, membership service business was transferred from Commerce Business to Media Business. In addition, email service was transferred from Other to Media Business. As a result, figures for FY2022, FY2023 Q1, and FY2023 Q2 have been retroactively revised.

2. Media Business revenue minus "Other" in Media Business.

3. In FY2023 Q3, personnel expenses of the back office and technology divisions as well as expenses related to data centers and internal infrastructure that were classified under Adjustments, were allocated to each segment. In addition, some accounting items to which figures are recorded were changed due to the merger. As a result, figures for FY2022, FY2023 Q1, and FY2023 Q2 have been retroactively revised.

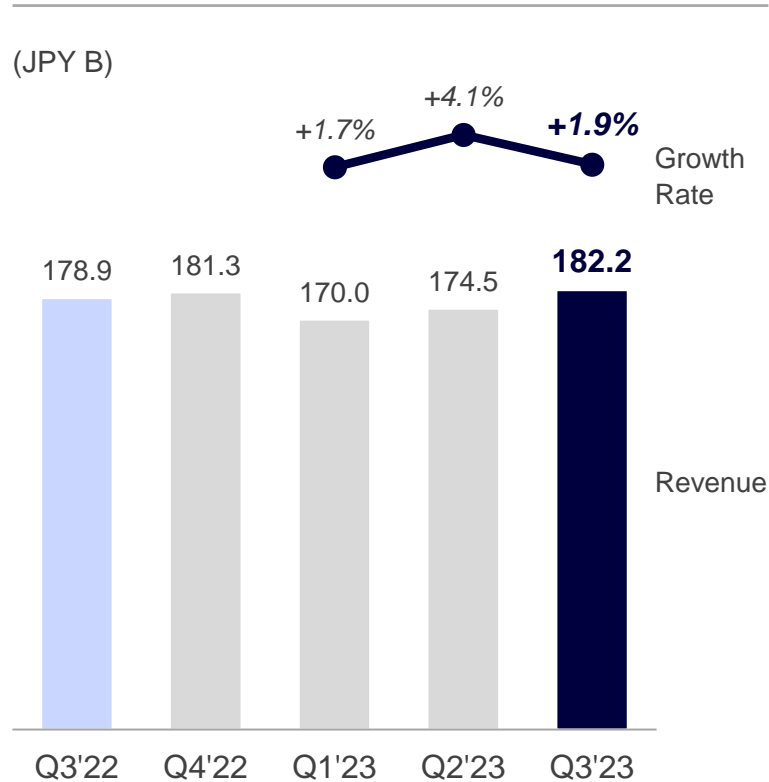
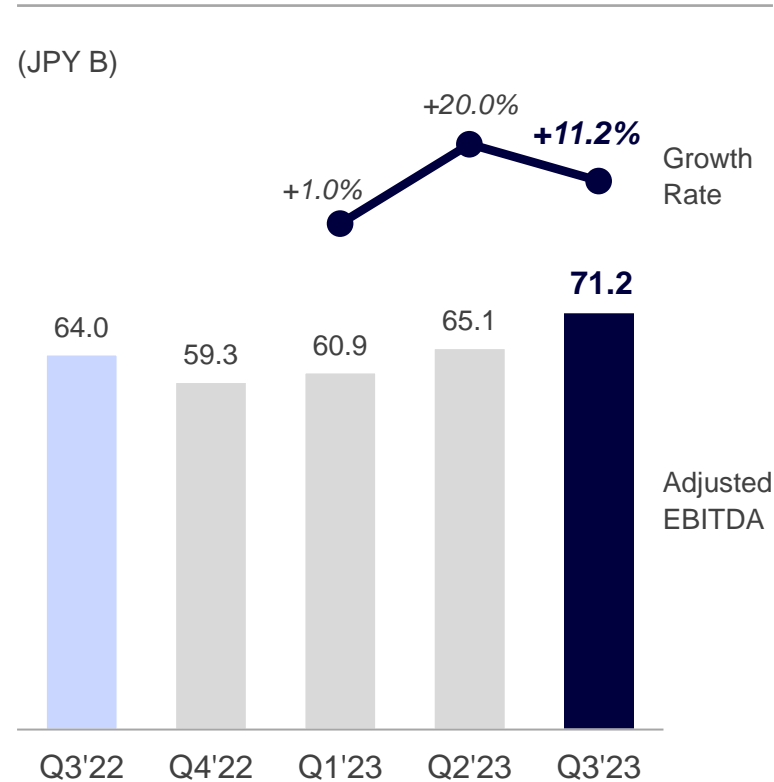
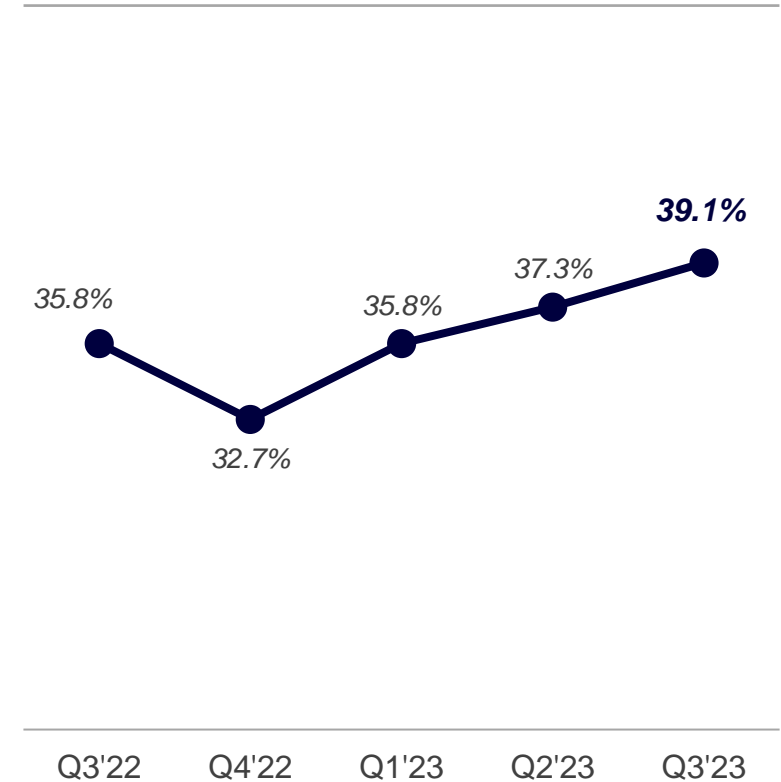
4. From FY2023 Q1, items for capitalizing expenses associated with internal development have been changed. As a result, figures under Adjustments for FY2022 have been retroactively revised.

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**2** Business Results/Topics – By Segment

- Both revenue and income increased as a result of a gradual improvement in advertising. In particular, account ads drove the improvement in margins.

Revenue/YoY Growth Rate<sup>1, 2, 3</sup>Adjusted EBITDA/YoY Growth Rate<sup>1, 2, 3</sup>Adjusted EBITDA Margin<sup>1, 2, 3</sup>

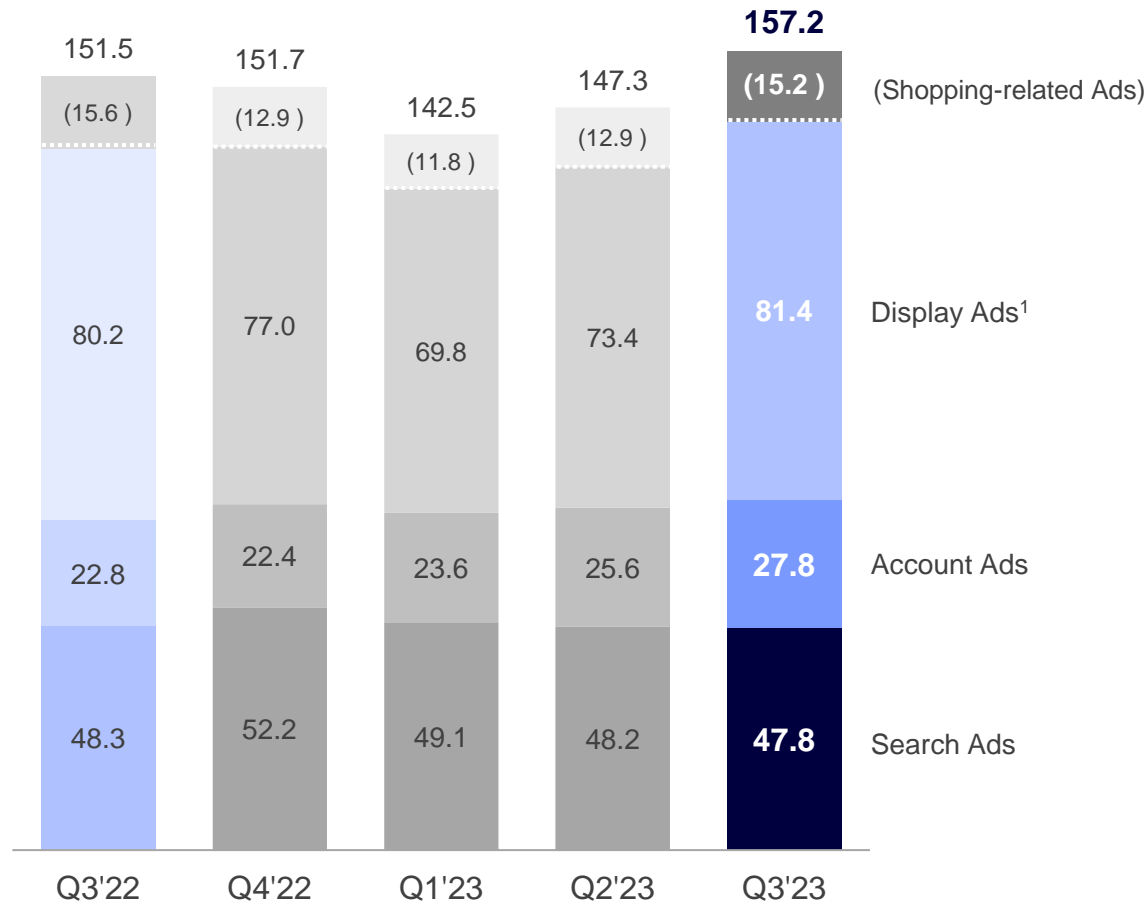
- From FY2023 Q1, Yahoo Japan Corporation's data solution service and dely Inc.'s service were transferred from Other to Media Business. In addition, part of the expenses related to LINE Corporation and its subsidiaries, which were previously allocated to Other and Adjustments, have been allocated to Media Business. The segment information for FY2022 has been revised as a result.
- In FY2023 Q3, membership service business was transferred from Commerce Business to Media Business. In addition, email service was transferred from Other to Media Business. As a result, figures for FY2022, FY2023 Q1, and FY2023 Q2 have been retroactively revised.
- In FY2023 Q3, personnel expenses of the back office and technology divisions as well as expenses related to data centers and internal infrastructure that were classified under Adjustments, were allocated to each segment. In addition, some accounting items to which figures are recorded were changed due to the merger. As a result, figures for FY2022, FY2023 Q1, and FY2023 Q2 have been retroactively revised.

## Entire Group – Total Advertising Revenue

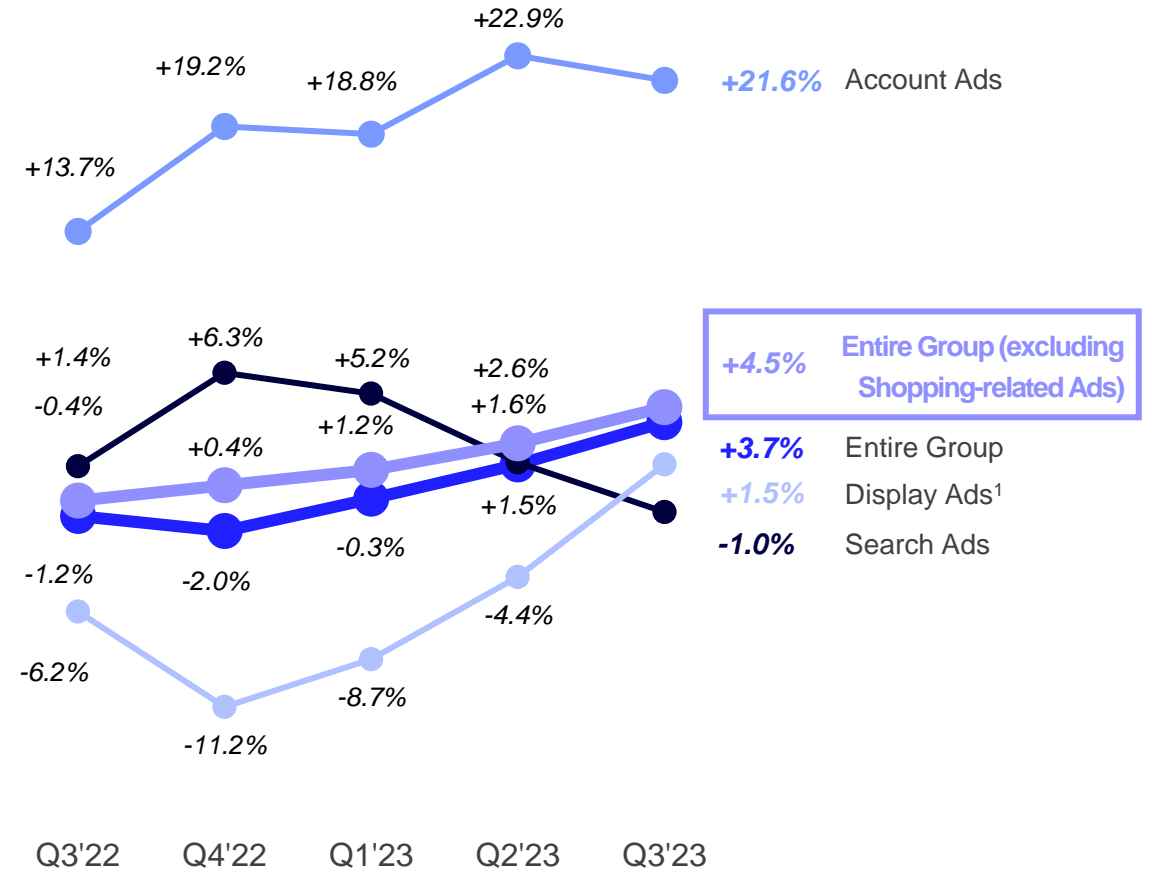
- Display ads revenue shifted to positive growth and continues its gradual recovery trend.

Entire Group – Total Advertising Revenue

(JPY B)



Entire Group – Total Advertising Revenue YoY Growth Rate

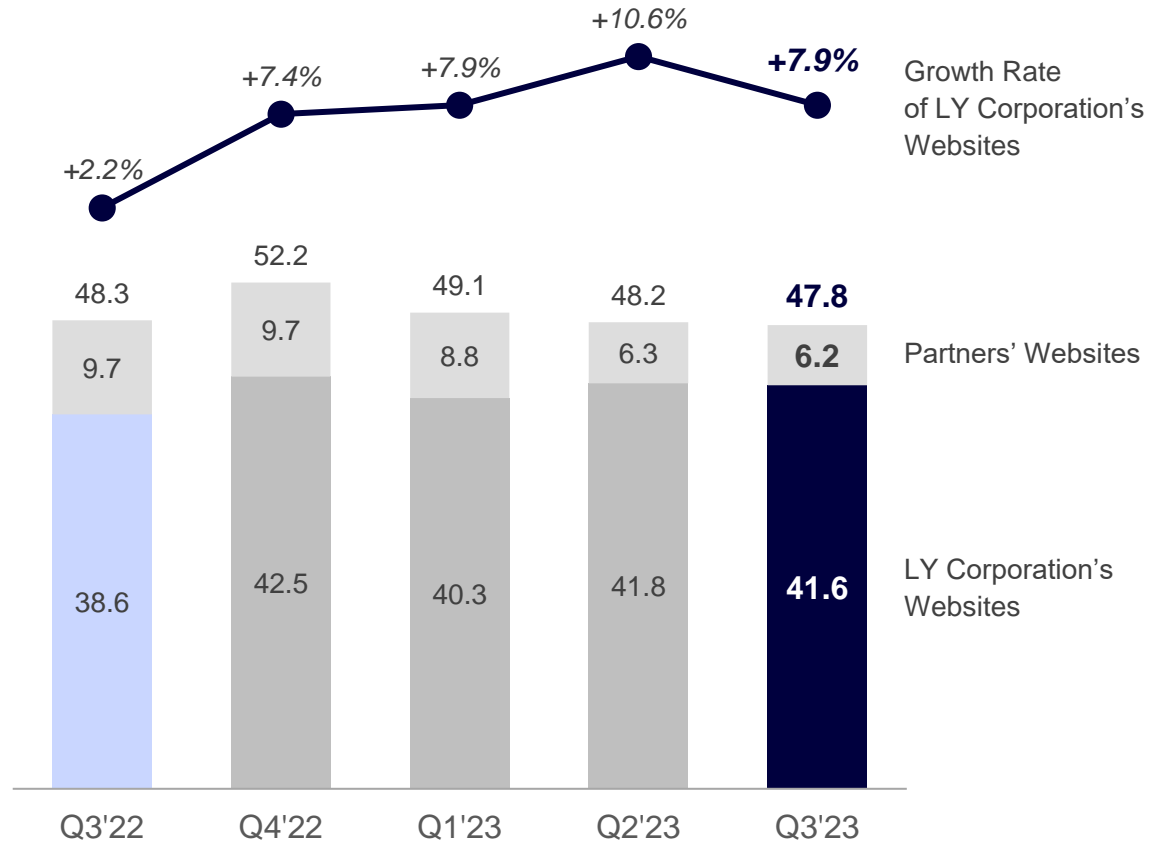


1. Display advertising revenue includes the revenue of other LINE ads and Shopping-related ads. Shopping-related advertising revenue is classified under Commerce Business.

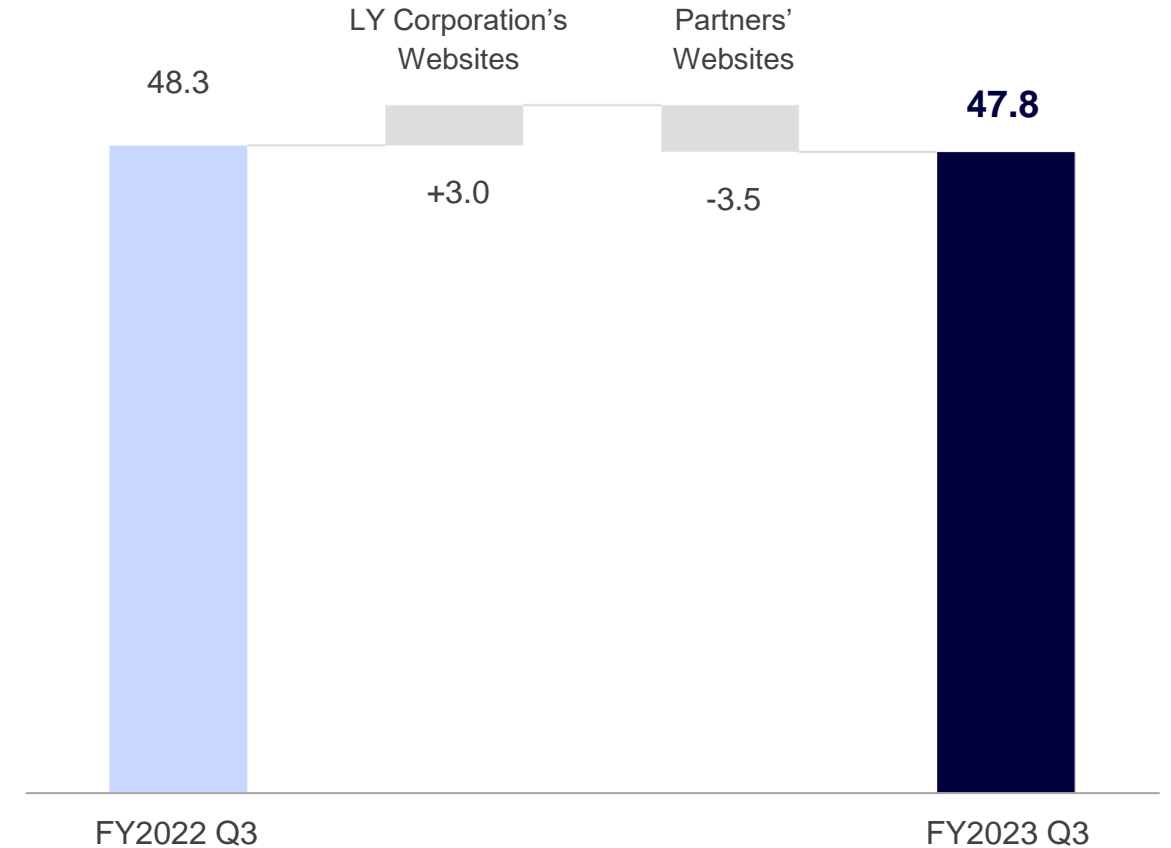
- While revenue decreased from less profitable ads on partners' websites, revenue from ads on LY Corporation's websites continued to increase.

Search Advertising Revenue/YoY Growth Rate

(JPY B)



Factors Behind Change in Search Advertising Revenue



- No. of linked accounts is steadily increasing as we aim for further increase in memberships with the launch of LYP Premium.

Account Linkage

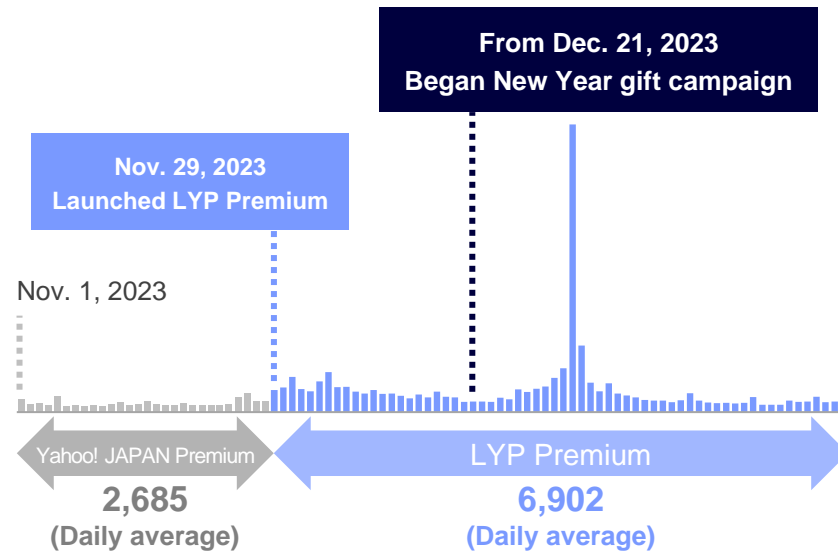
LYP Premium

Results of Linkage Between LINE and Yahoo! JAPAN Accounts<sup>1</sup>

No. of account links  
**23.22 mil**

Yahoo! JAPAN Premium/LYP Premium<sup>2</sup> — Daily No. of New Memberships<sup>3</sup>

Daily average of new memberships more than doubled compared to Yahoo! JAPAN Premium



Measures to Promote Membership Acquisition

- Campaigns to acquire new registrants
- Mass marketing

Planned Additional Benefits

- LINE: Use of multiple accounts
  - LINE: Real-time backup of images and chats
- +
- Other benefits to be added

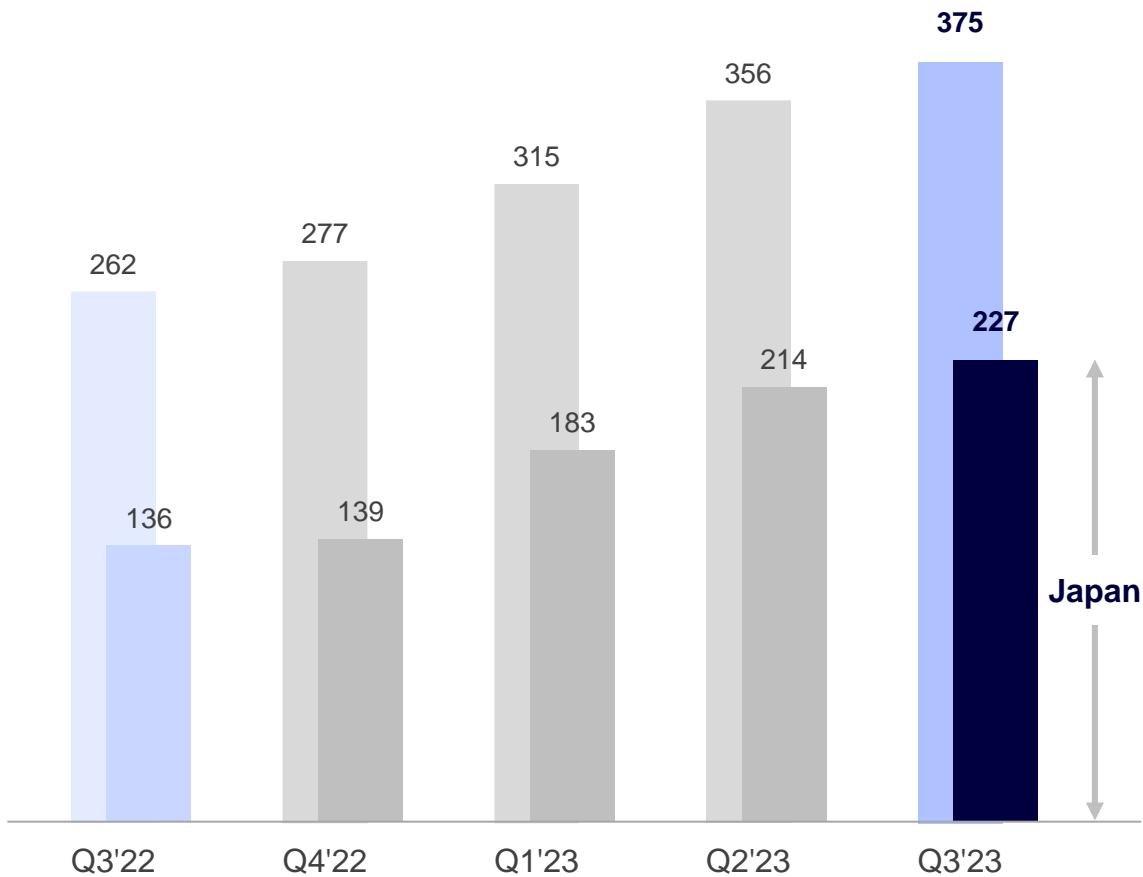
1. As of January 31, 2024  
 2. Yahoo! JAPAN Premium has been renamed as LYP Premium on November 29, 2023.  
 3. Daily number of new memberships from November 1, 2023 to January 31, 2024.



- **No. of paid accounts increased as a result of pricing revision while improvements to features continue.**

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

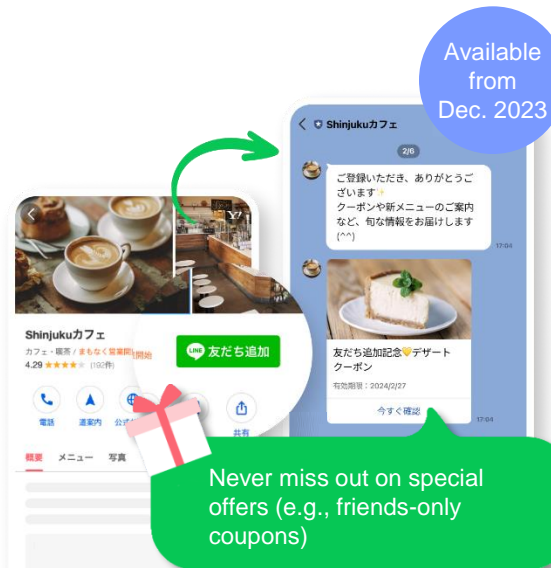
(Thousands)



Improvements to Features

### Linkage with LY Corporation Group Services

- Reinforced features to enable users to friend LINE Official Accounts from Yahoo! JAPAN Maps and Yahoo! JAPAN Search
- Propelled referrals through service linkages



### “Group” Feature

- Expanded feature which enables one-stop setting for managing multiple accounts
- Through reduced operational costs, acquired chain stores, etc., and promoted their use of the feature



Companies/stores that use multiple LINE Official Accounts

Narrow down destinations of messages by friends' attributes (gender, age, etc.)

Send messages to destinations that have been collectively set within a group

Reduction in operational cost

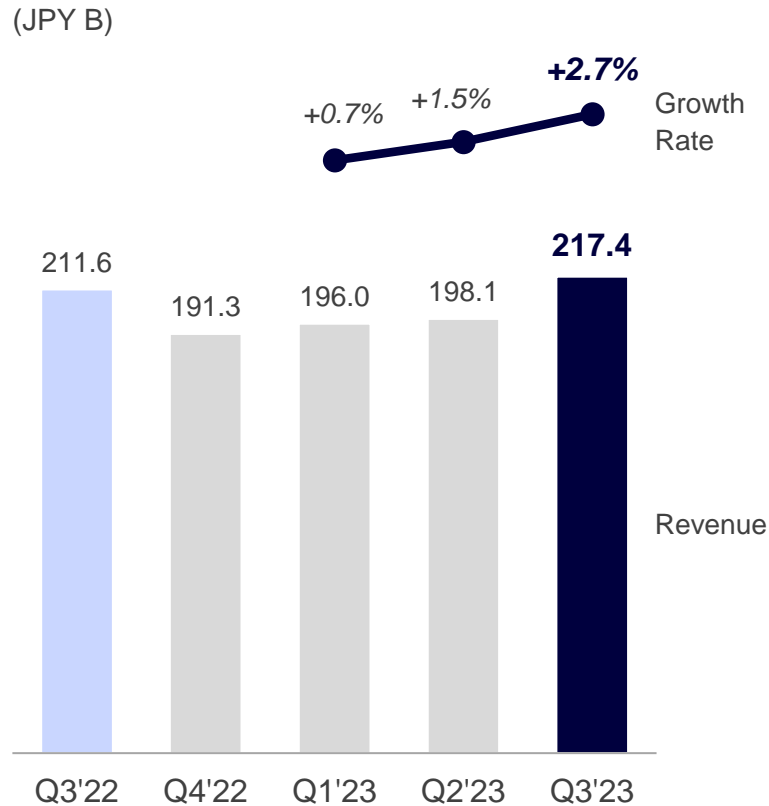
Available from Nov. 2023

1. Figures provided are the number of paid accounts as of the end of each quarter.

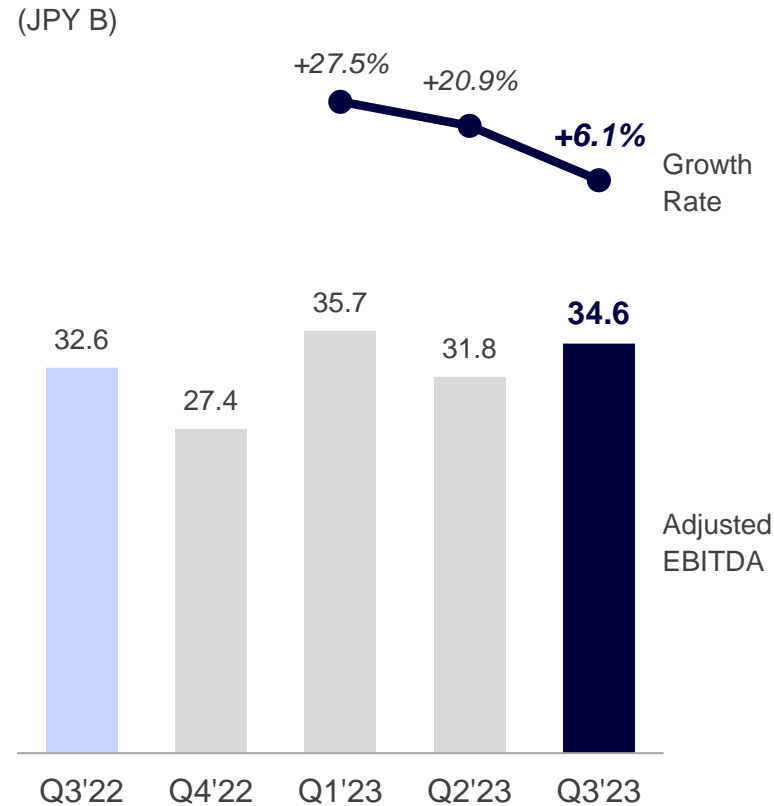
## Commerce Business – Performance

- Domestic merchandise transaction value improved, resulting in an increase in revenue and income.

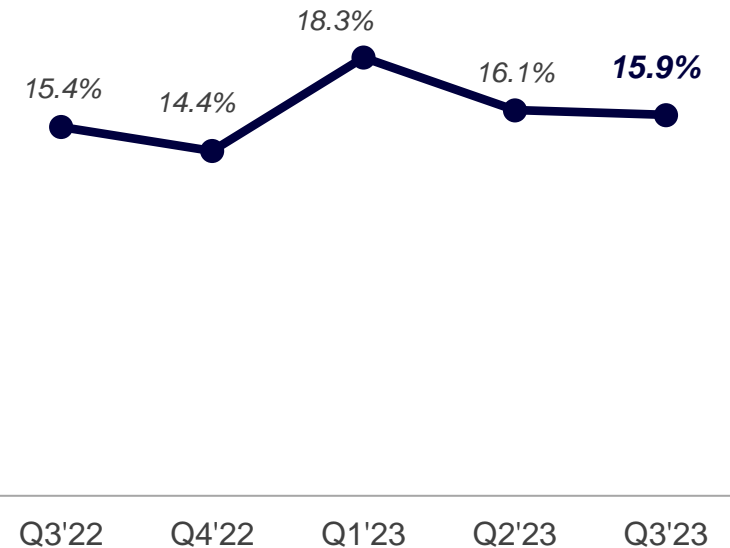
Revenue/YoY Growth Rate<sup>1, 2, 3</sup>



Adjusted EBITDA/YoY Growth Rate<sup>1, 2, 3</sup>



Adjusted EBITDA Margin<sup>1, 2, 3</sup>

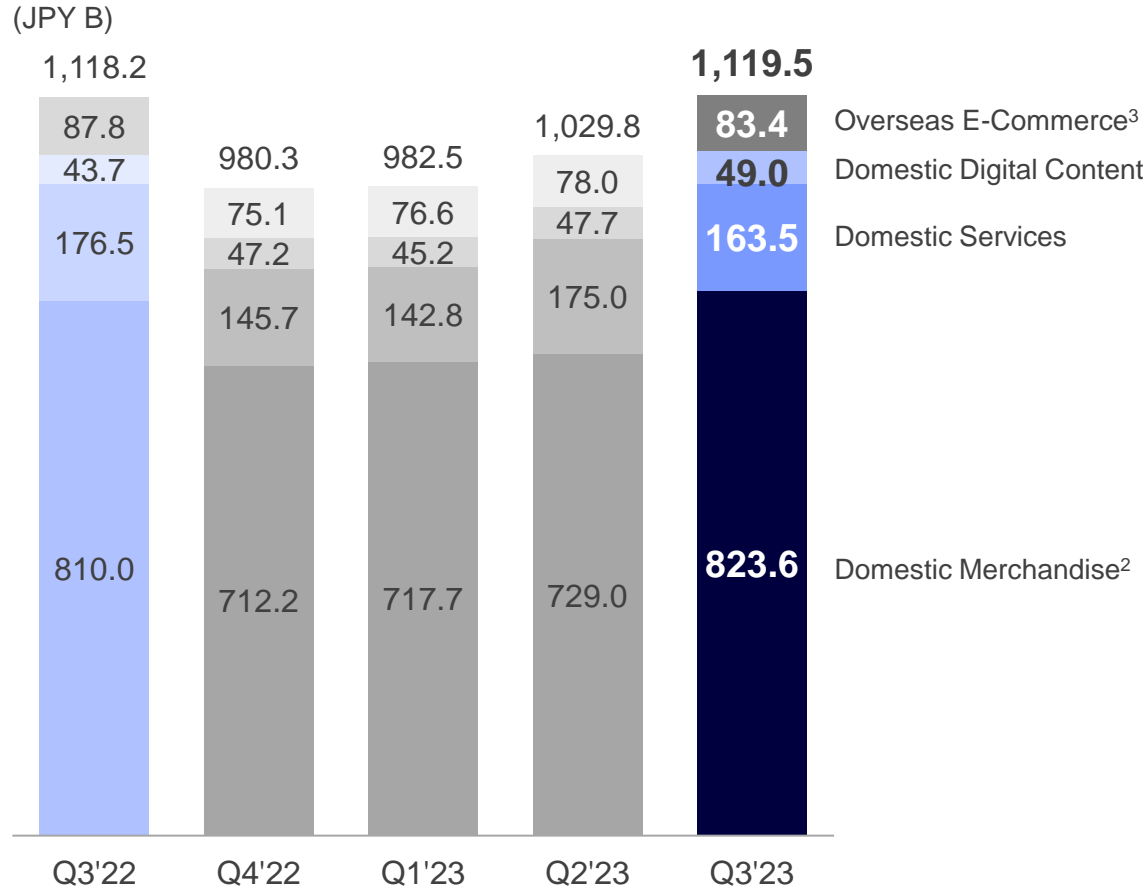


- From FY2023 Q1, part of the expenses related to LINE Corporation and its subsidiaries, which were previously allocated to Other and Adjustments, have been allocated to Commerce Business. The segment information for FY2022 has been revised as a result.
- In FY2023 Q3, membership service business was transferred from Commerce Business to Media Business. In addition, email service was transferred from Other to Media Business. As a result, figures for FY2022, FY2023 Q1, and FY2023 Q2 have been retroactively revised.
- In FY2023 Q3, personnel expenses of the back office and technology divisions as well as expenses related to data centers and internal infrastructure that were classified under Adjustments, were allocated to each segment. In addition, some accounting items to which figures are recorded were changed due to the merger. As a result, figures for FY2022, FY2023 Q1, and FY2023 Q2 have been retroactively revised.

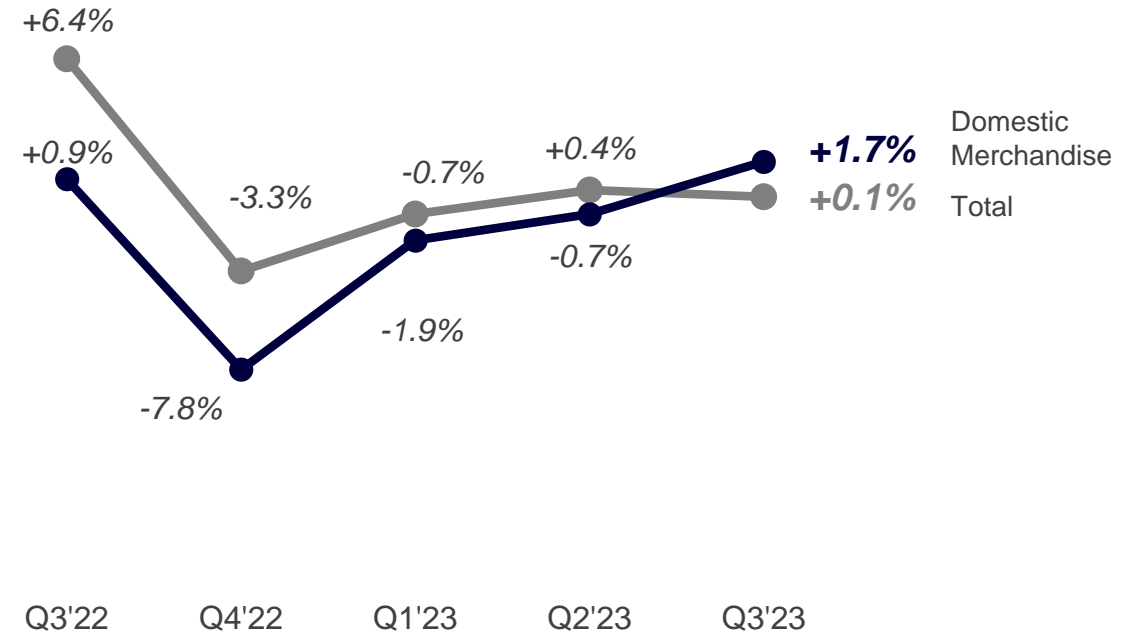
## Business Overview (E-Commerce Transaction Value)

- Domestic merchandise transaction value returned to positive growth.

Group E-Commerce Transaction Value<sup>1</sup>



Group E-Commerce Transaction Value<sup>1</sup> - 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.

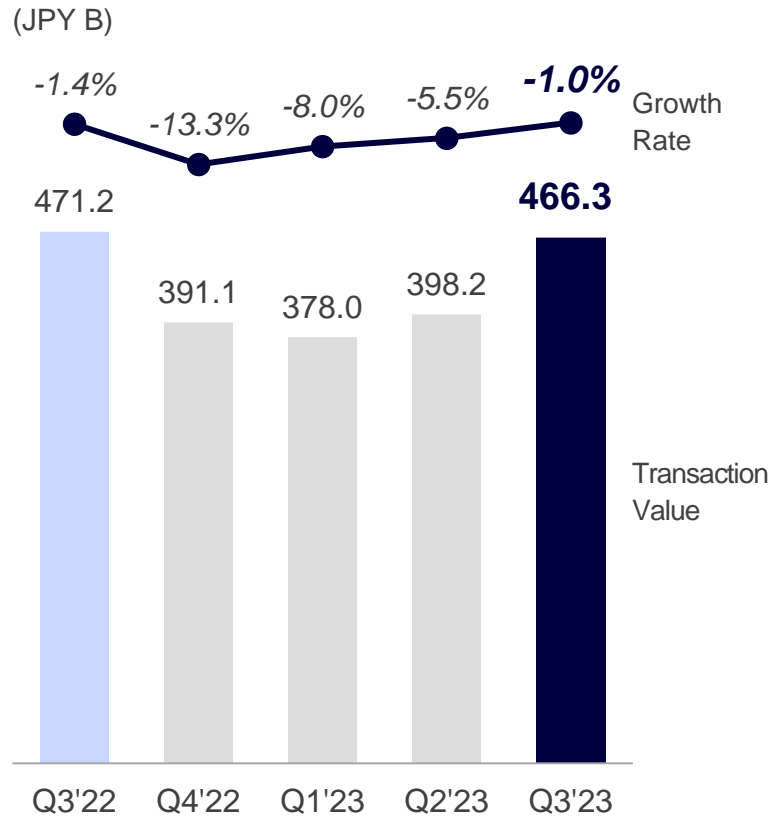
3. From FY2023 Q1, includes the transaction value of ZOZOFIT.

## Business Overview (Domestic E-Commerce Transaction Value)

- Shopping transaction value is on a recovery trend. Travel transaction value decreased due to the absence of Japan's nation-wide travel incentives for the travel industry, which was conducted in the previous year.

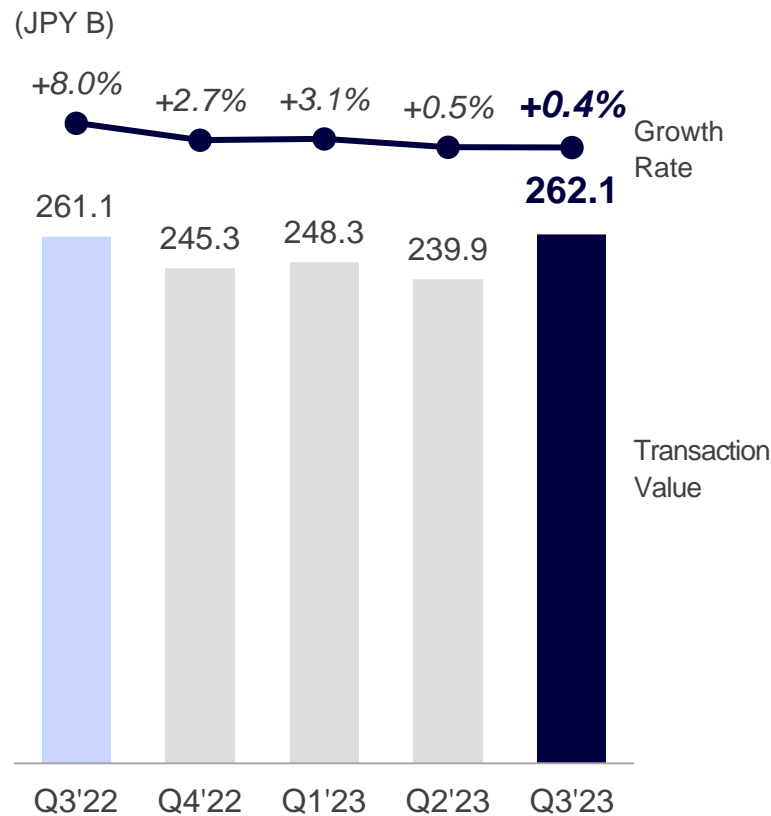
Domestic Shopping Transaction Value<sup>1</sup>  
– YoY Growth Rate

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



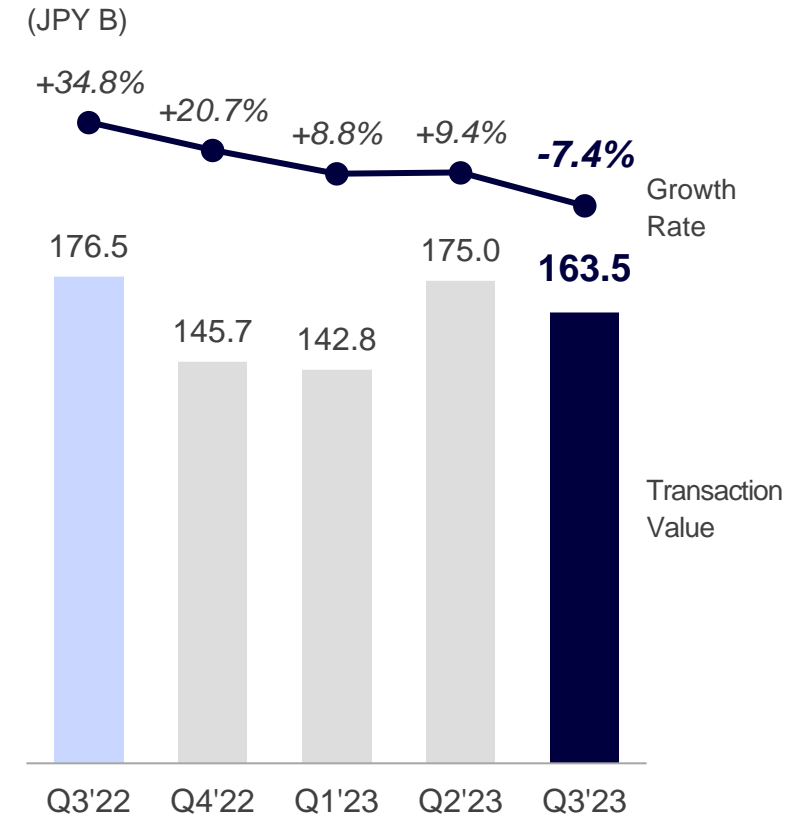
Domestic Reuse Transaction Value<sup>1</sup>  
– YoY Growth Rate

Yahoo! JAPAN Auction, Yahoo! JAPAN Flea Market, ZOZOUSED



Domestic Services Transaction Value<sup>1</sup>  
– YoY Growth Rate

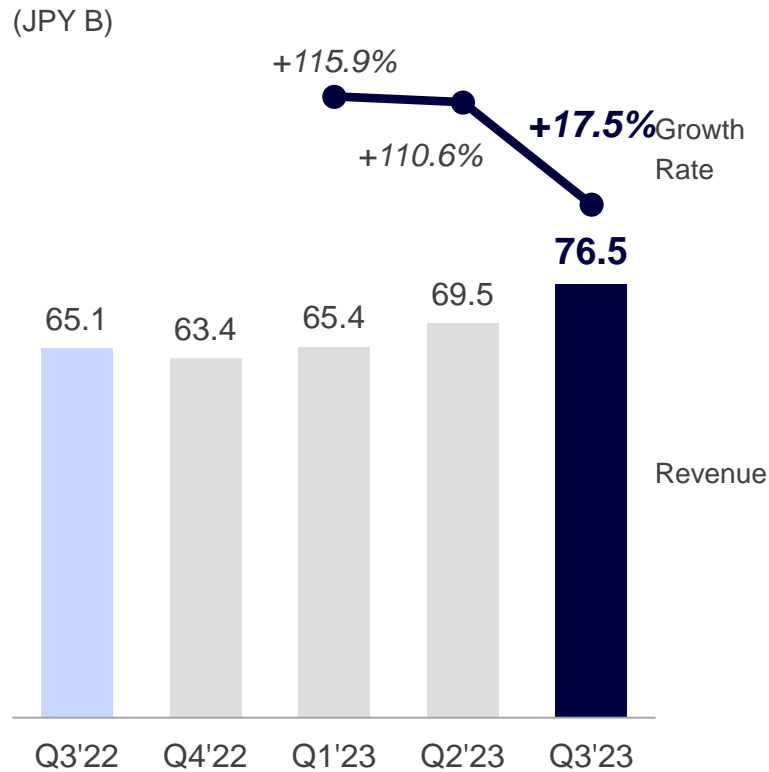
Ikyu.com, Yahoo! JAPAN Travel, Yahoo! JAPAN Loco, Demae-can, etc.



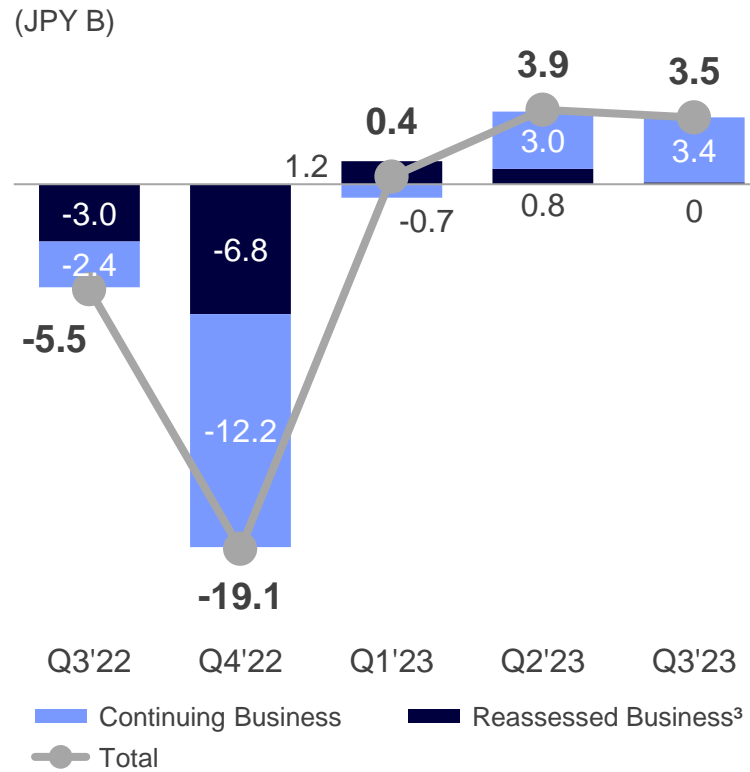
1. Please refer to P.20 of the Appendix for a definition of "transaction value."

- Revenue achieved double-digit growth, while selective focus on key business areas and business growth led to an increase in adjusted EBITDA.

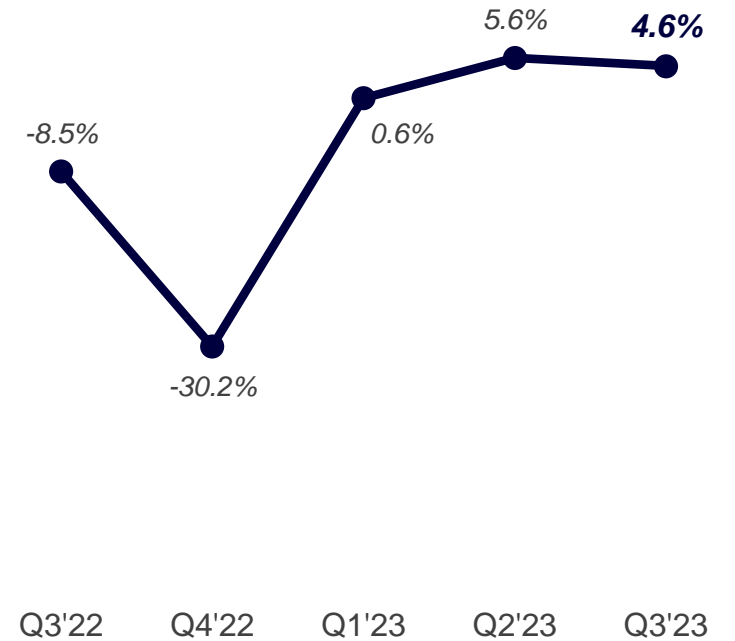
Revenue/YoY Growth Rate<sup>1,2</sup>



Adjusted EBITDA<sup>1,2</sup>

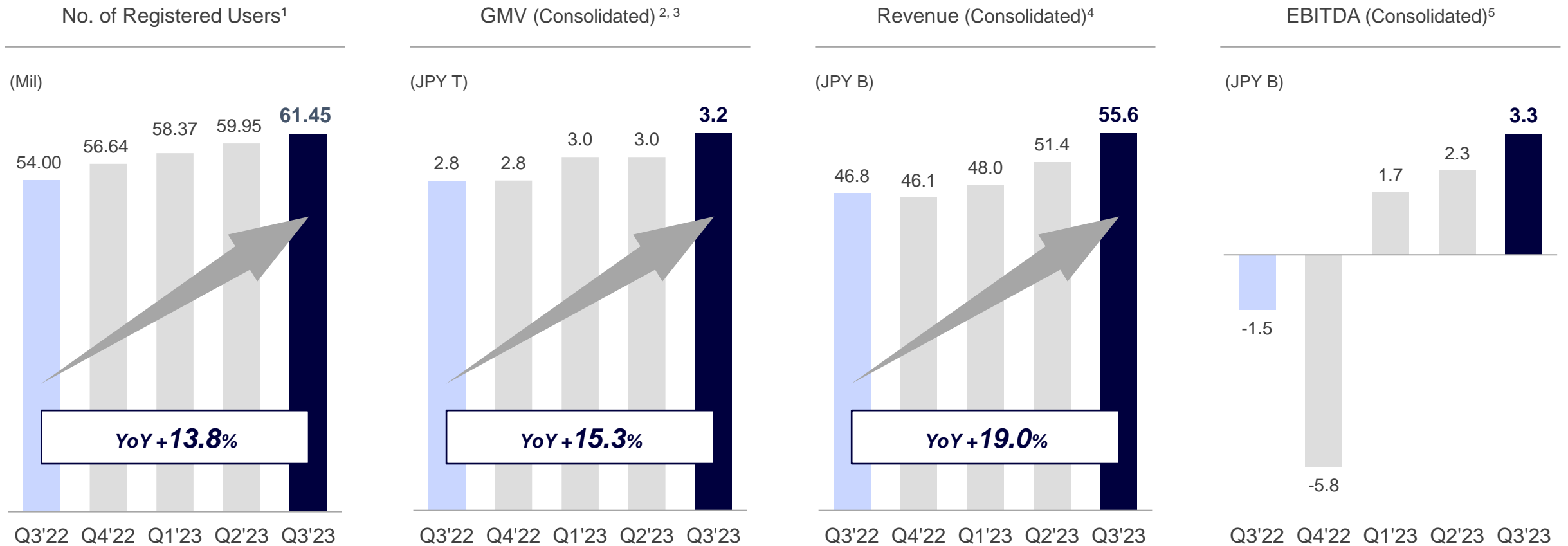


Adjusted EBITDA Margin<sup>1,2</sup>



- From FY2023 Q1, part of the expenses related to LINE Corporation and its subsidiaries, which were previously allocated under Other and Adjustments, have been allocated to Strategic Business. The segment information for FY2022 has been revised as a result.
- In FY2023 Q3, personnel expenses of the back office and technology divisions as well as expenses related to data centers and internal infrastructure that were classified under Adjustments, were allocated to each segment. In addition, some accounting items to which figures are recorded were changed due to the merger. As a result, figures for FY2022, FY2023 Q1, and FY2023 Q2 have been retroactively revised.
- LINE Securities Corporation, LINE AI business, LINE Bank Preparatory Company

- Consolidated revenue continued to grow in tandem with the growth of registered users and consolidated GMV.



1. Number of users who have registered to a PayPay account as of the end of each quarter.

2. 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 (Pay Later)" launched in February 2022 are included. Consolidated the transaction volume of PayPay Card Corporation from the beginning of FY2021. Figures are shown after the elimination of internal transactions between the two companies.

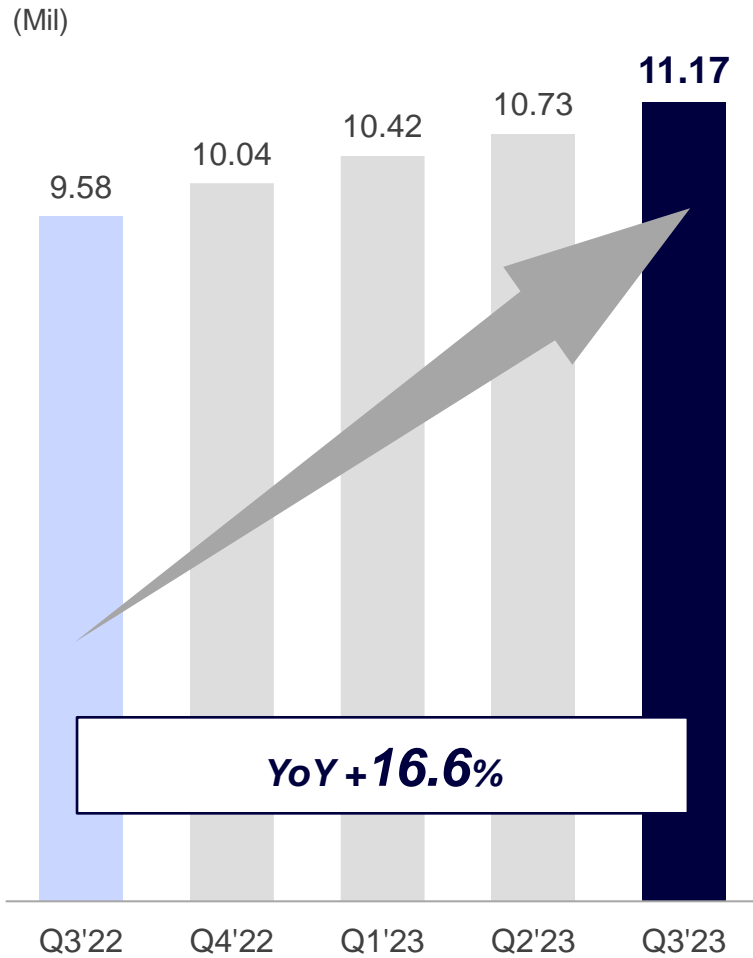
3. Figures are rounded down to the nearest billion yen and then rounded off to the nearest JPY100 billion.

4. 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.

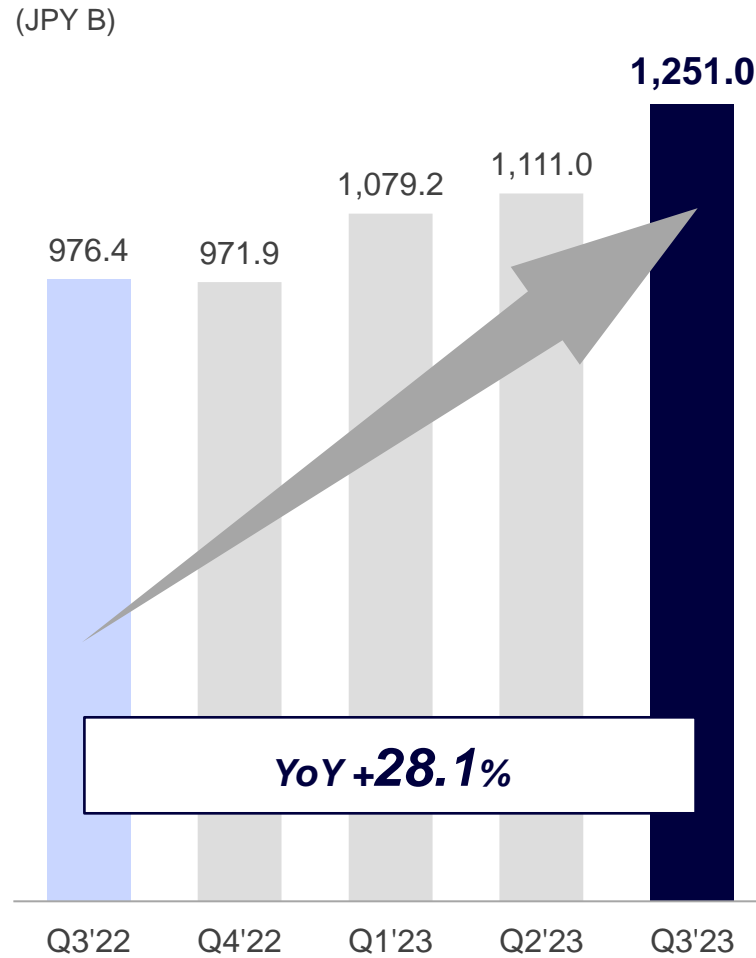
5. PayPay Corporation's consolidated EBITDA. Calculated by adding depreciation and amortization, and loss on retirement of fixed assets to operating income. Consolidated financial statements of PayPay Card Corporation from the beginning of FY2021 due to the application of pooling of interest method. Figures are shown after the elimination of internal transactions between the two companies. These figures have not been audited.

- Synergy with PayPay contributed to continued high growth.

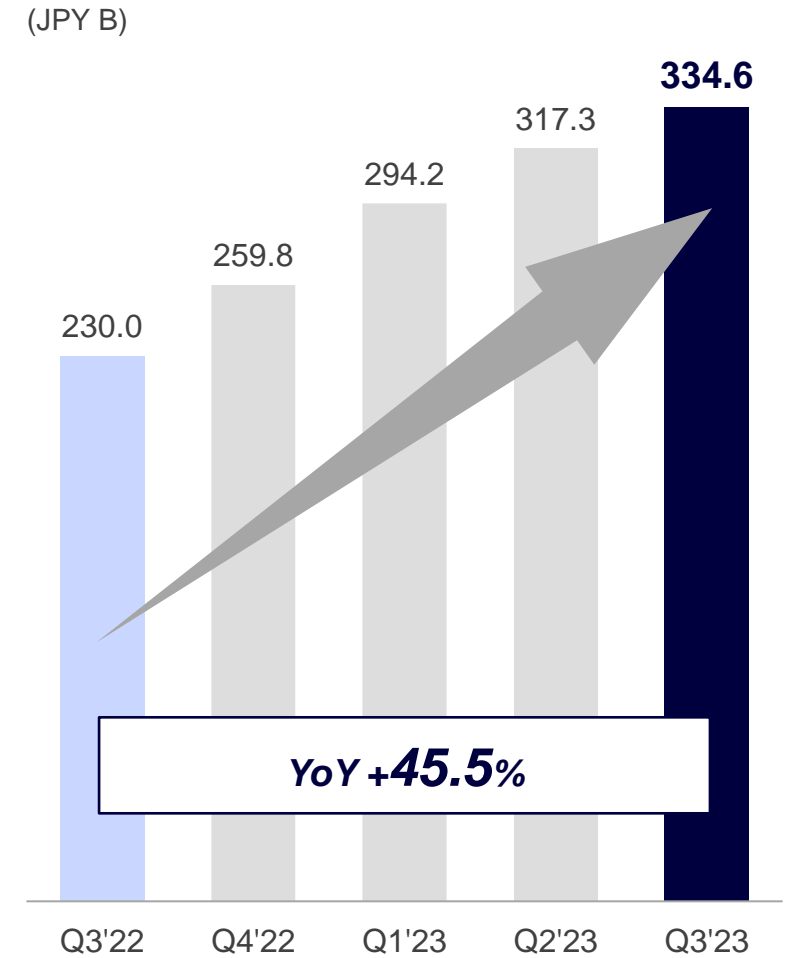
Active Cardholders



Transaction Volume<sup>1</sup>



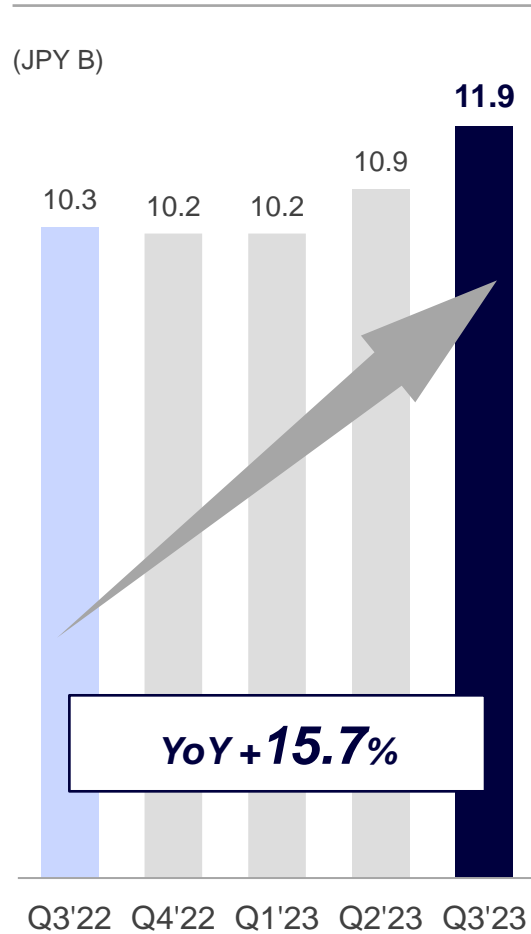
Revolving Balance



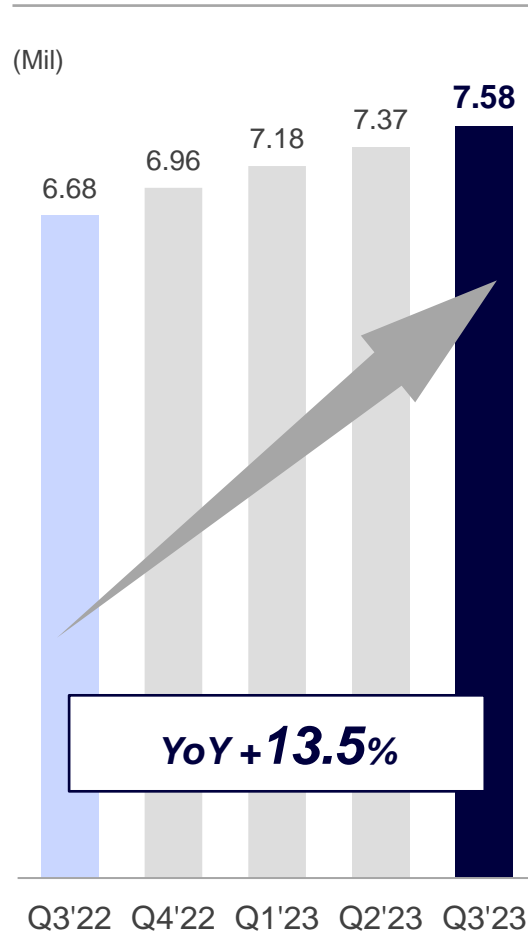
1. Payments through "Credit (Pay Later)" launched in February 2022 are included.

- All indices continued to grow by double digits. Loan balances increased by more than 30% as a result of increased loans to individuals and corporations.

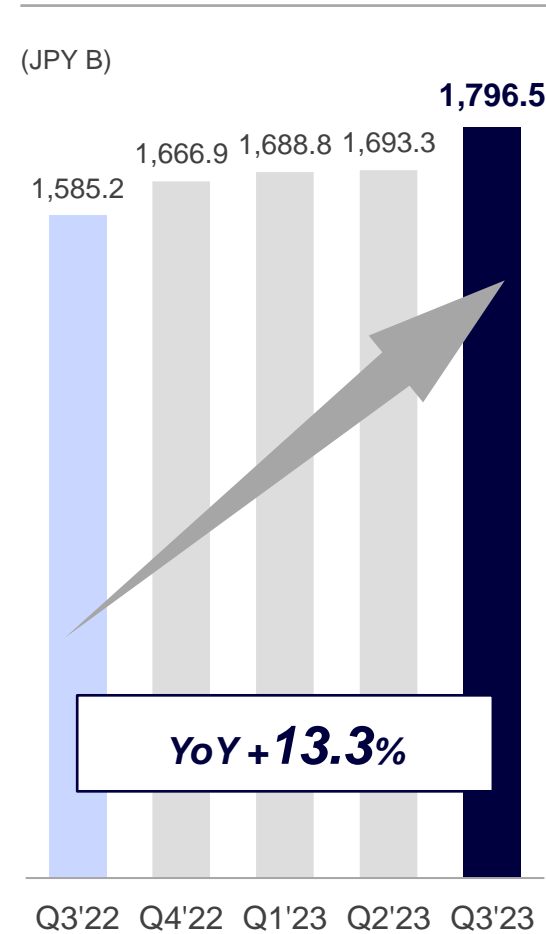
Revenue



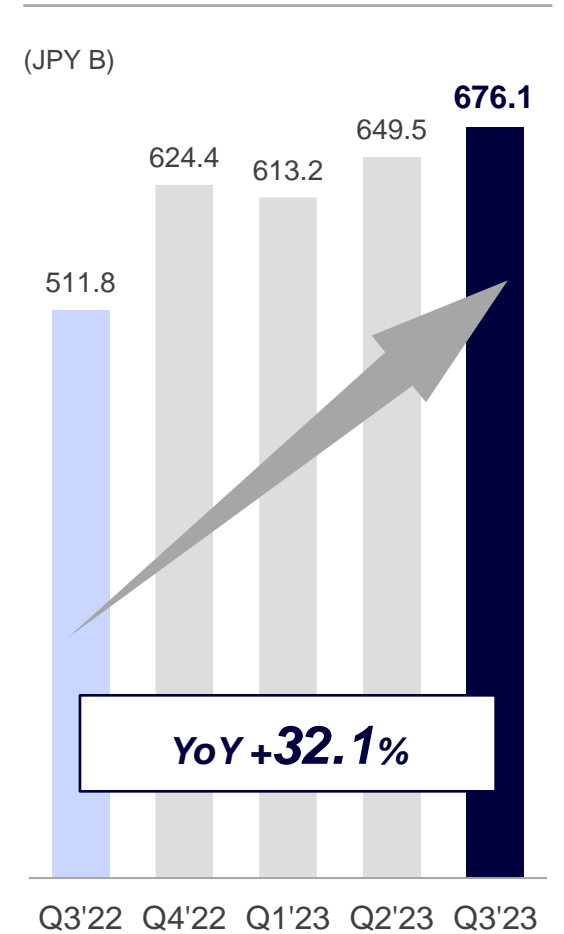
No. of Accounts



Deposit Balance



Loan Balance





## Disclaimer

Statements made at the meeting or included in the documents that are not historical facts are forward-looking statements about the future performance of LY Corporation (Company) 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.

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.

**LY**

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