

# LY Corporation Business Results

## FY2024 Q1

August 2, 2024

Security Code: 4689

**LINEヤフー**

## FY2024 Q1 Business Results - Summary

1

**Security measures are steadily being implemented.**

2

**Repurchasing own shares (JPY 150.0 B) to maintain listing in the Prime Market and for shareholder return.**

3

**Business performance starting off smoothly.**

- Entire Group revenue grew YoY+7.6%; consolidated adjusted EBITDA YoY+21.7%
- Account advertising revenue continued to grow at YoY+21.4%
- PayPay Consolidated revenue grew YoY+18.8%; quarterly operating income recorded a profit for the first time

4

**Reinforcing products for top-line growth.**

- Boosting media power with the redesigned Yahoo! JAPAN app

**Shifting gears to achieve medium- to long-term business growth**

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**1 Consolidated Business Results – Entire Group**

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

## Table of Contents

**1 Consolidated Business Results – Entire Group**

2 Business Results/Topics – By Segment

## Acquisition and Cancellation of Own Shares

- **Repurchasing own shares (JPY 150.0 B) to maintain listing in the Prime Market and for shareholder return.**

	Outline	Purpose/Policy
Method	<b>Tender offer</b>	<ul style="list-style-type: none"> <li>• <b>Raise the tradable share ratio and maintain listing in the Prime Market based on the tender agreement with A Holdings.</b></li> <li>• <b>Improve EPS and ROE by decreasing the number of shares outstanding and reducing equity.</b></li> <li>• <b>To be funded within the buffer for capital policy which has been announced as our capital allocation policy.</b></li> <li>• <b>Will consider future share buybacks as appropriate within the scope of capital allocation policy.</b></li> </ul>
No. of Shares Scheduled to Be Tendered	<b>386,597,939 shares</b>	
Tender Offer Price	<b>JPY388 per share</b>	
Total Amount of Acquisition	<b>JPY150.0 billion</b>	
Tender Offer Period	<b>From August 5, 2024 to September 2, 2024</b>	
Cancellation of own shares	<b>489,597,939 shares</b> <ul style="list-style-type: none"> <li>• <b>6.4% of total number of outstanding shares<sup>1</sup></b></li> <li>• <b>Scheduled date of cancellation: September 30, 2024</b></li> </ul>	

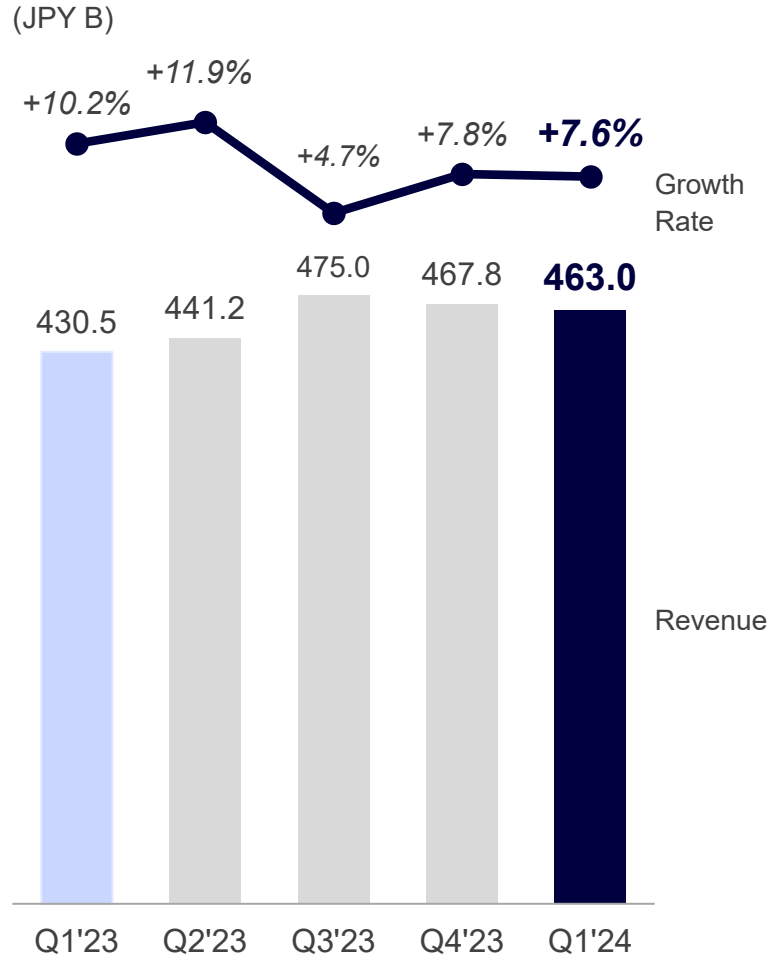
1. Total number of issued shares as of June 30, 2024.

- Both revenue and income increased — on track to meet full-year guidance.

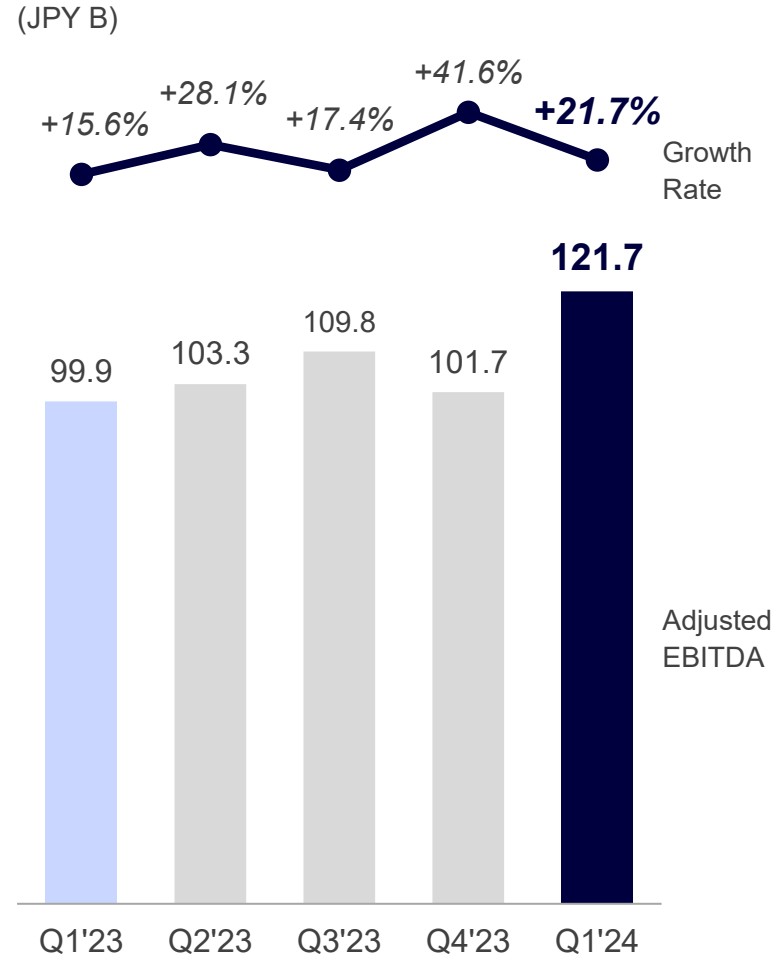
Segment	Item	FY2024 Q1	% YoY Change	Progress against Guidance
Entire Group	Revenue	JPY463.0 B	+7.6 %	23.9 %
	Adjusted EBITDA	JPY121.7 B	+21.7 %	27.7-28.3 %
	Adjusted EPS	JPY 3.58	-25.6 %	23.4-25.0 %
Media	Revenue	JPY 177.6 B	+4.4 %	—
	Adjusted EBITDA	JPY 69.6 B	+14.2 %	26.7 %
Commerce	Revenue	JPY 207.3 B	+5.8 %	—
	Adjusted EBITDA	JPY 41.3 B	+15.7 %	28.2 %
Strategic	Revenue	JPY 79.1 B	+20.9 %	—
	Adjusted EBITDA	JPY 6.0 B	+1,384.7 %	28.0 %
Other/Adjustments	Adjusted EBITDA	JPY 4.7 B	+65.7 %	85.5 %

- Revenue and adjusted EBITDA set a new Q1 record as a result of product growth and structural reforms.

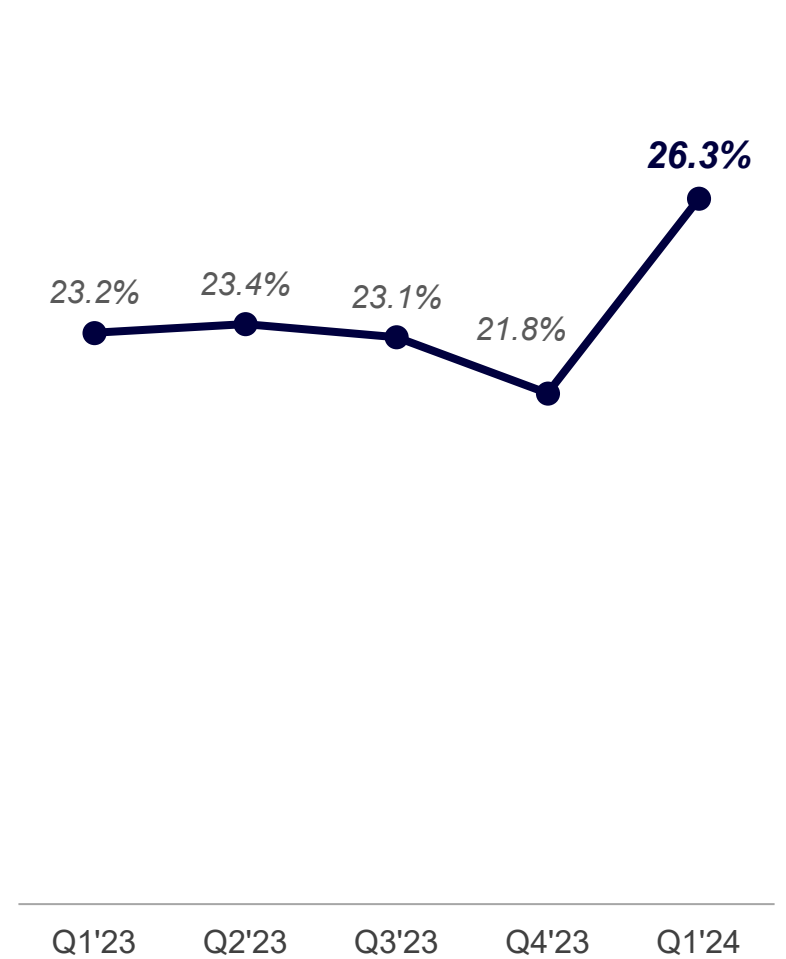
Revenue/YoY Growth Rate



Adjusted EBITDA/YoY Growth Rate



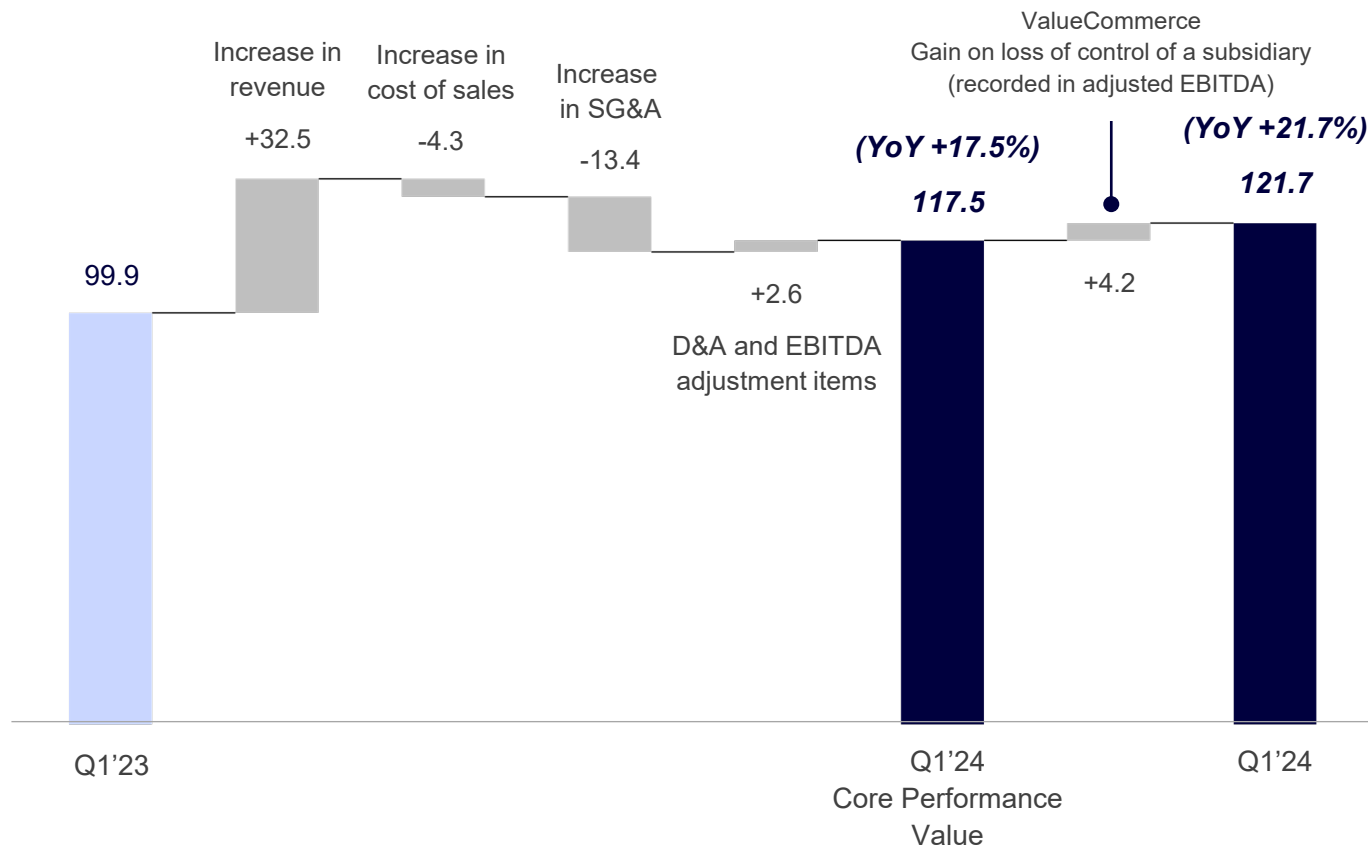
Adjusted EBITDA Margin



- Business growth drove increase in revenue and profit, despite increase in SG&A accompanying product reinforcements.

Factors of Change in Adjusted EBITDA<sup>1</sup>

(JPY B)

**Revenue: +JPY32.5 B**

- Media (+JPY7.5 B): Growth in account advertising
- Commerce (+JPY11.2 B): Growth in ZOZO, ASKUL, Yahoo! JAPAN Shopping
- Strategic (+JPY13.6 B): Growth in PayPay Consolidated

**Cost of sales: +JPY4.3 B**

- Media (+JPY100 mil): Remained flat due to improvement in revenue composition despite growth in revenue
- Commerce (+JPY4.1 B): Increased due to revenue growth
- Strategic (+JPY0.0 B): Remained flat despite growth in revenue

**SG&A: +JPY13.4 B**

- Sales promotion costs/advertising & promotional expenses (+JPY7.7 B): Increased mainly in Yahoo! JAPAN Shopping and PayPay Consolidated
- Other SG&A (+JPY5.6 B): Increased mainly from recording of expenses related to the termination of LINE Pay service in Japan and increase in payment-related fees for PayPay Consolidated. Expenses for security countermeasures amounted to approx. JPY3.0 B.

**D&A and EBITDA adjustment items: +JPY2.6 B**

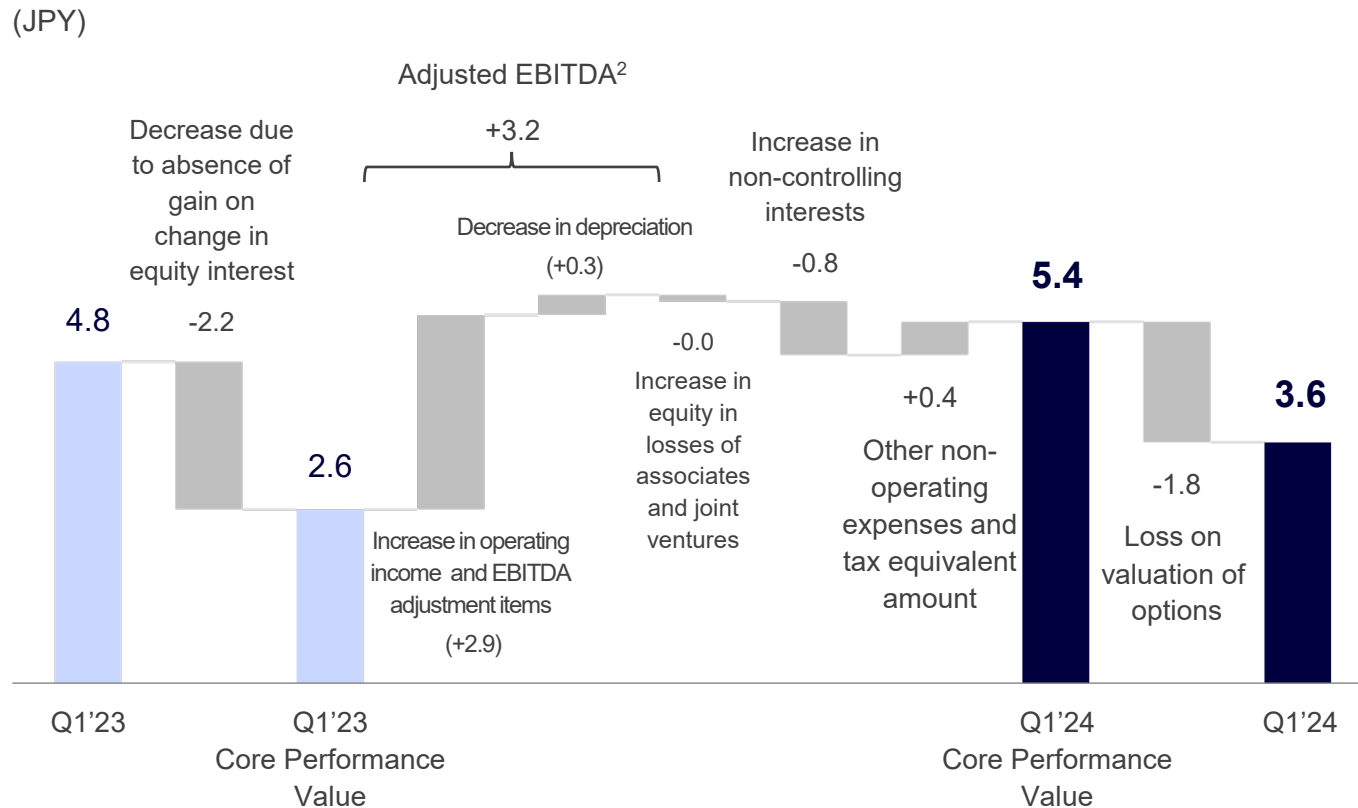
The following one-time factors were recorded in FY2024 Q1. These are included in the operating income, but not in adjusted EBITDA, thus are offset in EBITDA adjustment items (other adjustments).

- IPX Gain on loss of control of a subsidiary: JPY22.7 B
- LINE NEXT Gain on loss of control of a subsidiary: JPY13.3 B
- ValueCommerce Gain on loss of control of a subsidiary: JPY6.9 B (out of which JPY4.2 B is recorded in adjusted EBITDA)

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 on remeasurement relating to business combinations, 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.



- Core performance value excluding one-time factors improved. Further improvement anticipated with the share buyback.

Adjusted EPS<sup>1</sup>

## FY2024 Q1 Factors behind YoY change

- Core performance value, excluding Webtoon Entertainment's gain on change in equity interest recorded in FY2023 Q1 and loss on valuation of options regarding equity method affiliates recorded in FY2024 Q1, improved from JPY2.6 in FY2023 Q1 to JPY5.4 in FY2024 Q1 (YoY +104.8%).

## Impact of share buyback on adjusted EPS

- Anticipate an improvement of JPY0.4 in adjusted EPS for FY2024 as a result of share buyback.

1. Adjusted EPS: Adjusted net income / Average number of common stocks outstanding. Adjusted net income: Net income attributable to owners of the parent ± EBITDA adjustment items ± tax equivalent on some adjustment items

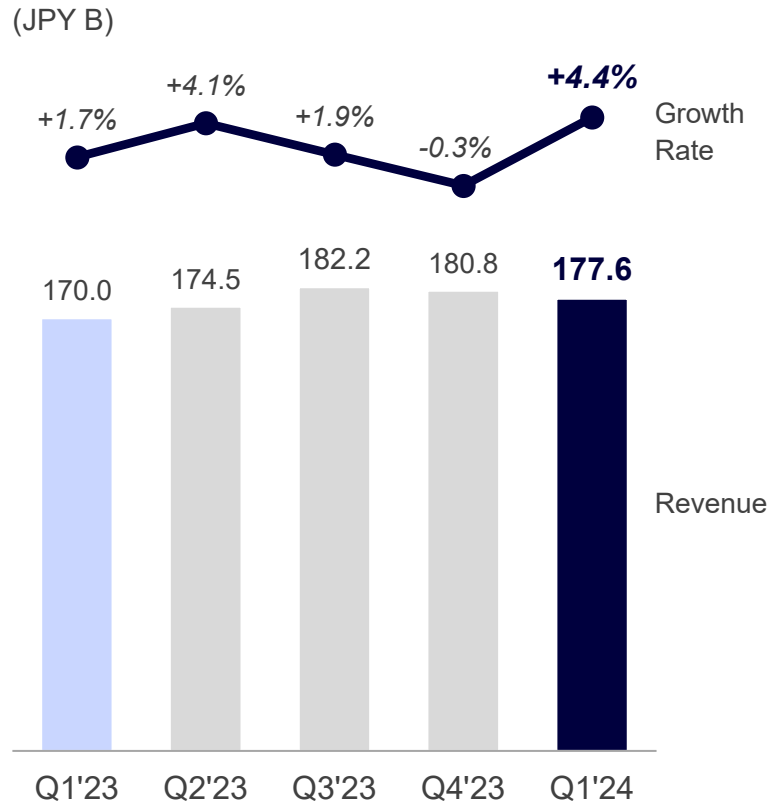
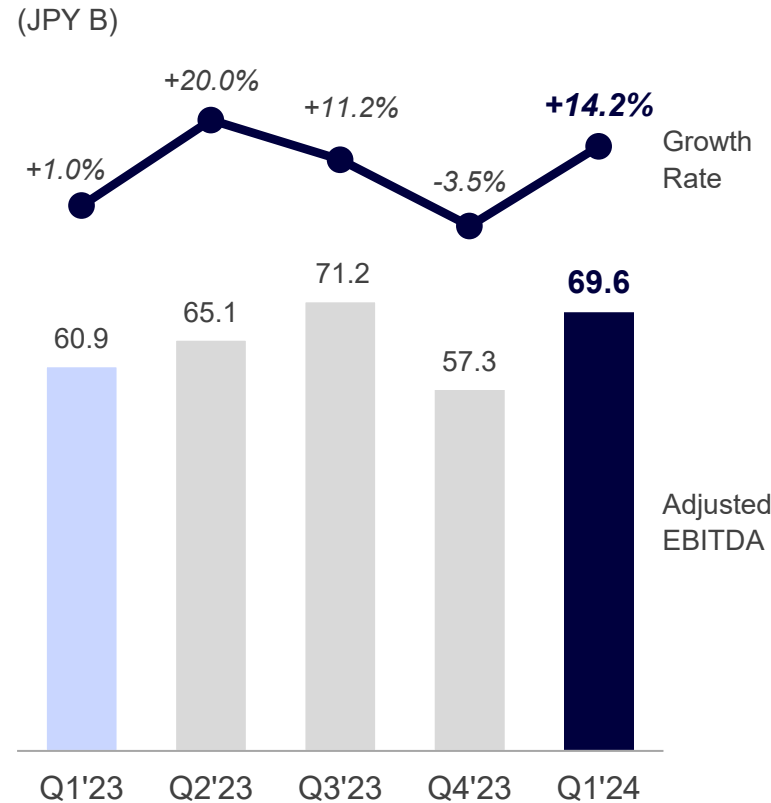
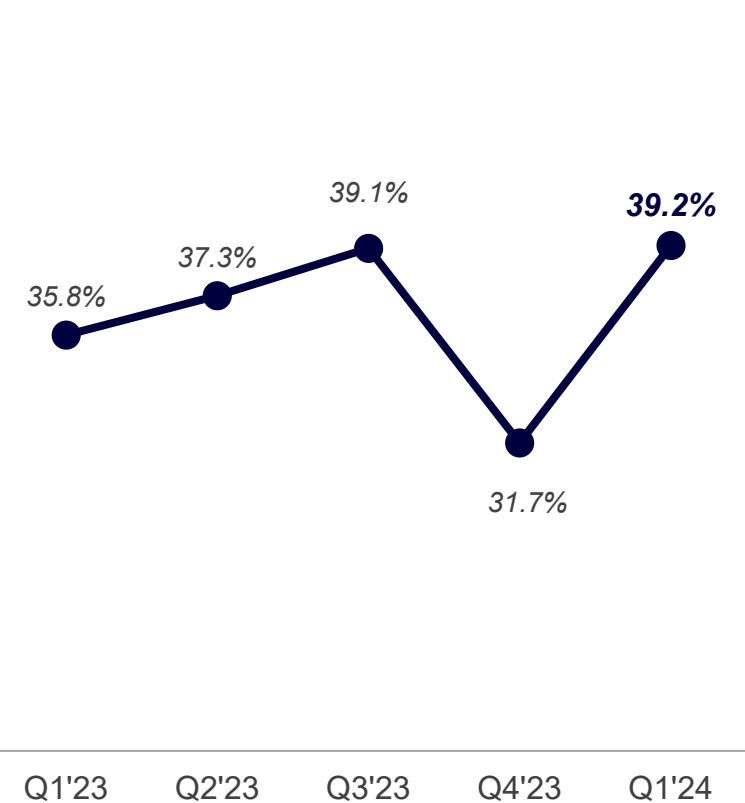
2. Adjusted EBITDA: Operating income + depreciation & amortization ± EBITDA adjustment items. EBITDA adjustment items: Gains/losses on non-recurring and non-cash transactions within operating revenue and expenses (loss on retirement of fixed assets, impairment losses, stock compensation expenses, gains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

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**1 Consolidated Business Results – Entire Group**

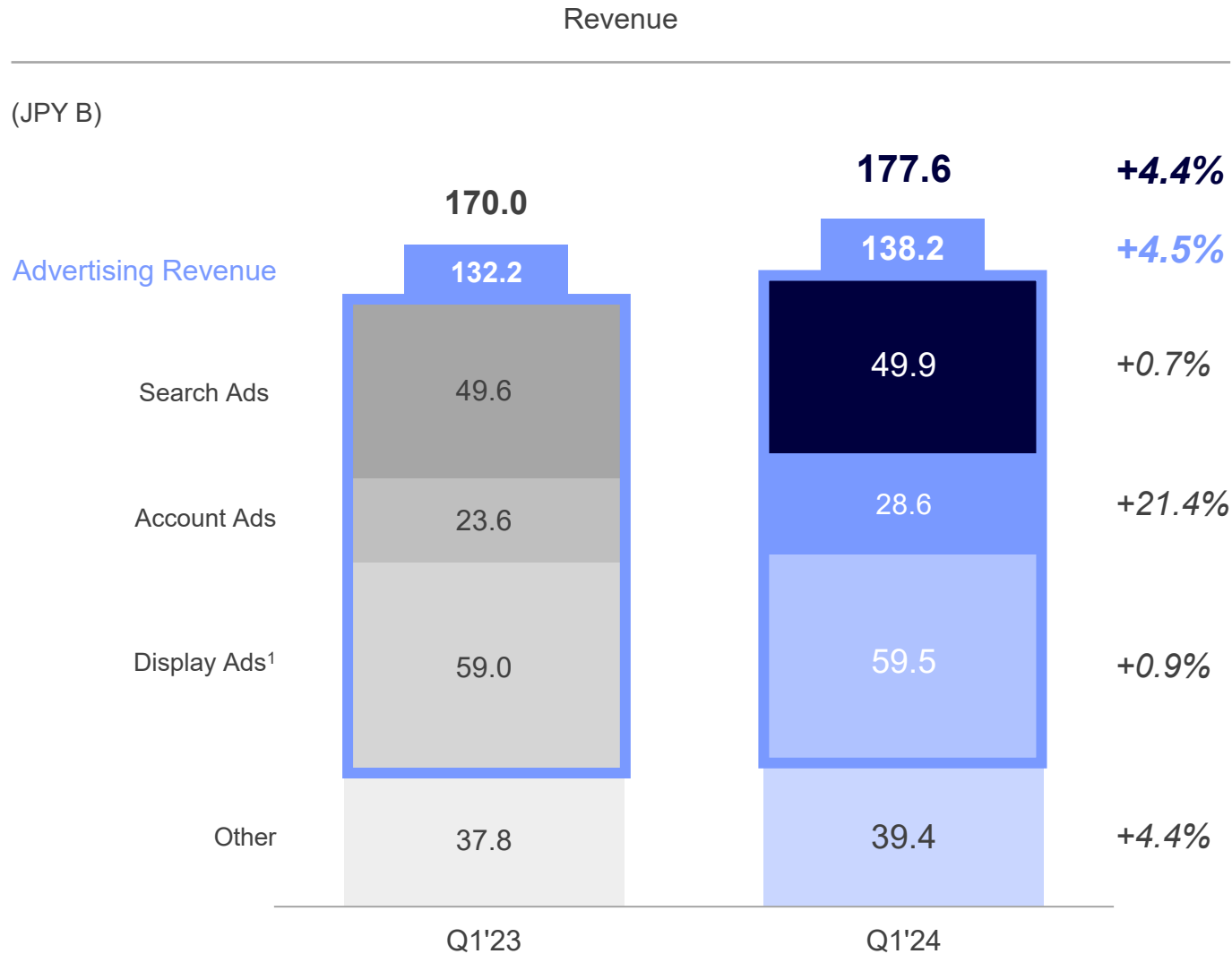
**2 Business Results/Topics – By Segment**

- Account advertising drove revenue growth; cost controls led to margin improvement.

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.

- Account advertising grew over 20% YoY; making a smooth start toward achieving full-year guidance.



### Search advertising: +JPY300 million

- Revenue from partners' websites decreased YoY, but LY Corporation's websites grew by +6.5% YoY.
- Product improvements in Shopping Search Ads, display of images in search result pages, and other factors contributed to a certain extent.

### Account advertising: +JPY5.0 billion

- Number of paid accounts and pay-as-you-go billing expanded steadily.

### Display advertising: +JPY500 million

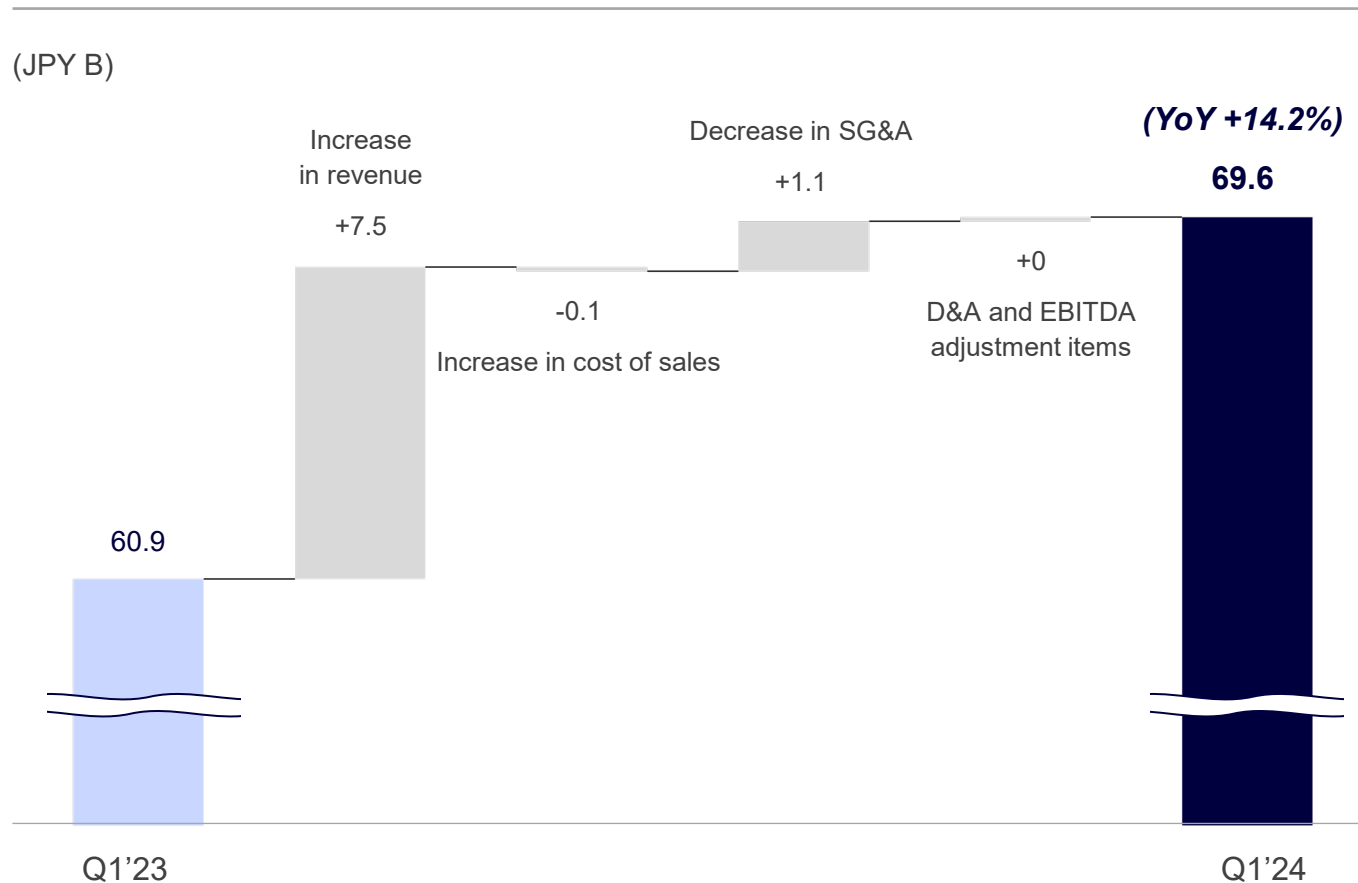
- LINE Ads: Solid growth in chat lists and other websites.

### Other: +JPY1.6 billion

- Strong growth in LINE Stickers.

1. Display advertising revenue includes the revenue of other LINE ads.

- Profitability improved as a result of revenue growth and continued cost optimization mainly around business commissions.

Factors of Change in Adjusted EBITDA<sup>1</sup>**Cost of sales: +JPY100 million**

- Cost of sales remained flat as a result of improved revenue composition led by the growth in account advertising, which has a low cost of sales ratio.

**SG&A: -JPY1.1 billion**

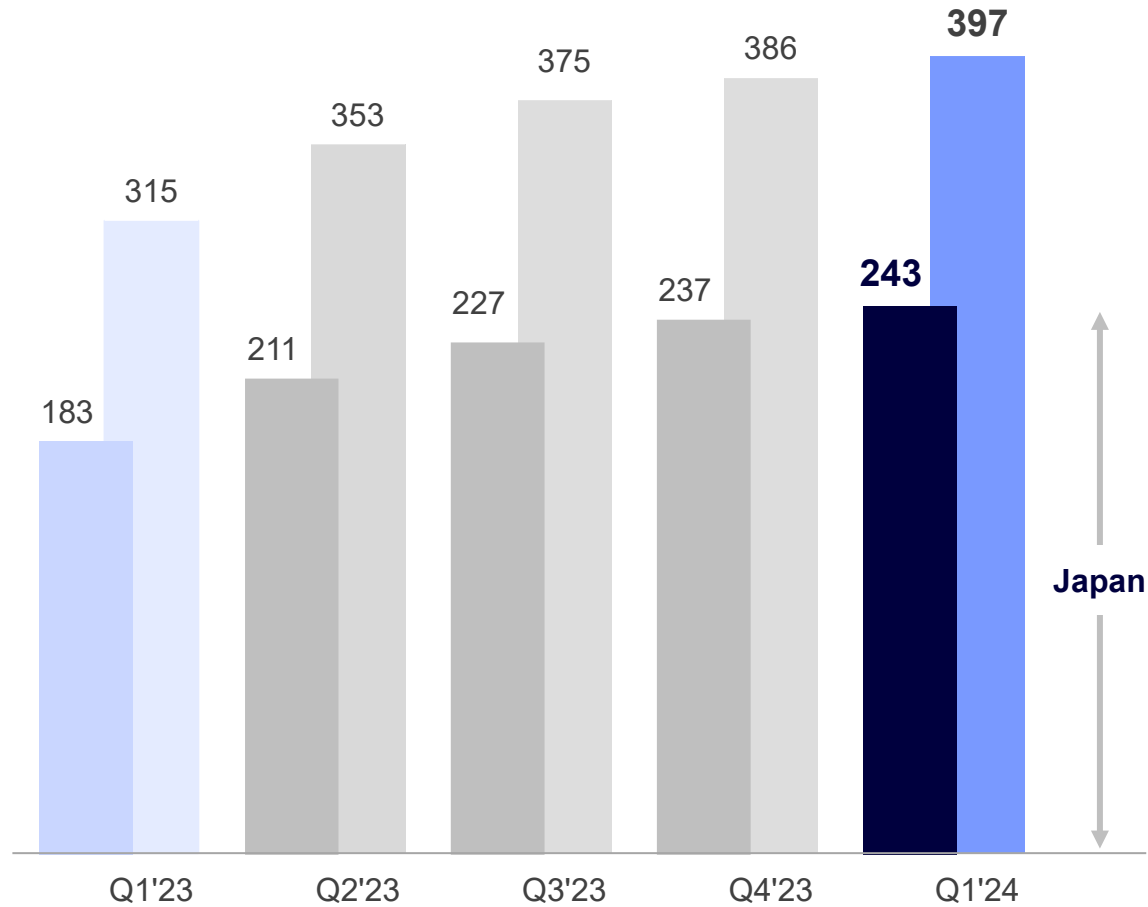
- Sales promotion costs/advertising & promotional expenses (+JPY 200 million): Slight increases in expenses for products, e.g., search, LINE Stickers.
- Other SG&A (-JPY1.4 B): Business commissions decreased mainly due to cost optimization.

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 on remeasurement relating to business combinations, 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.

- No. of paid accounts is increasing steadily, and revenue of account advertising maintained a growth rate exceeding 20%.

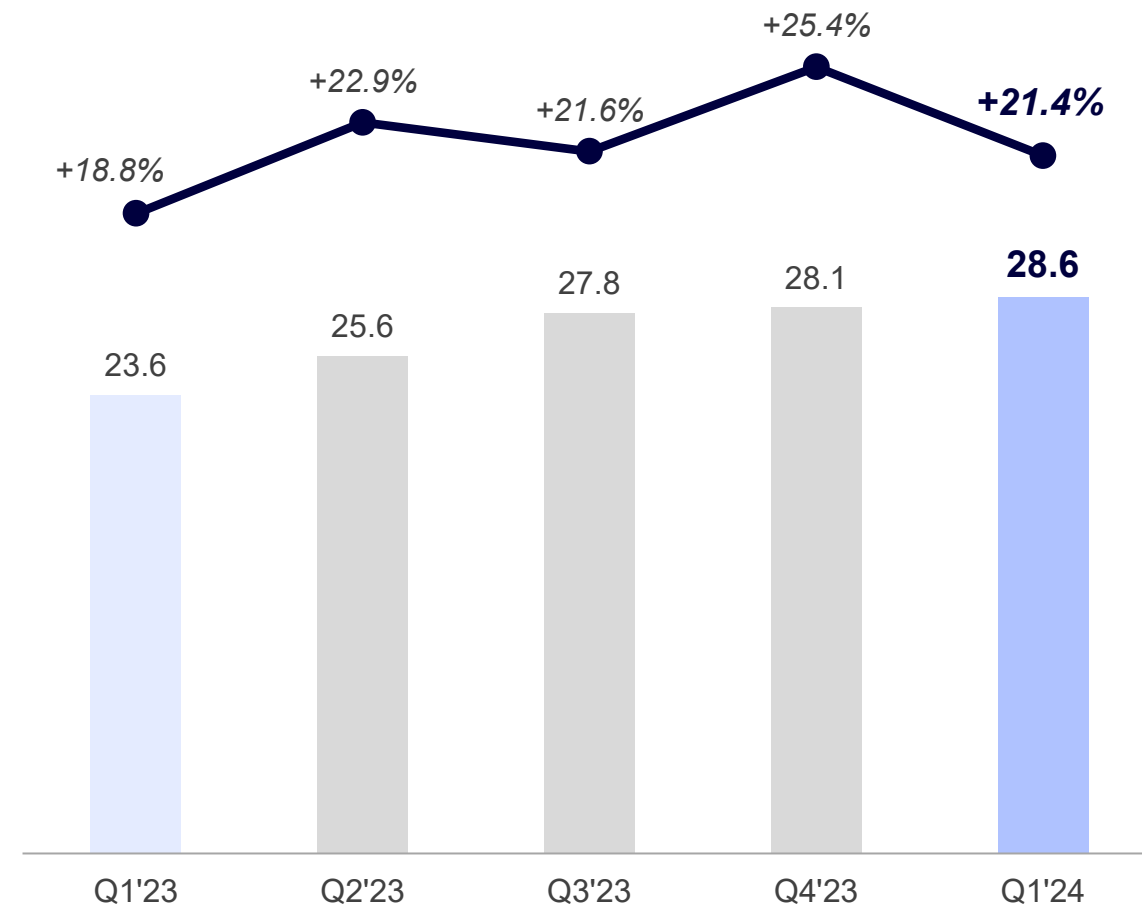
No. of Paid LINE Official Accounts (Global/Japan)<sup>1</sup>

(Thousands)



Revenue

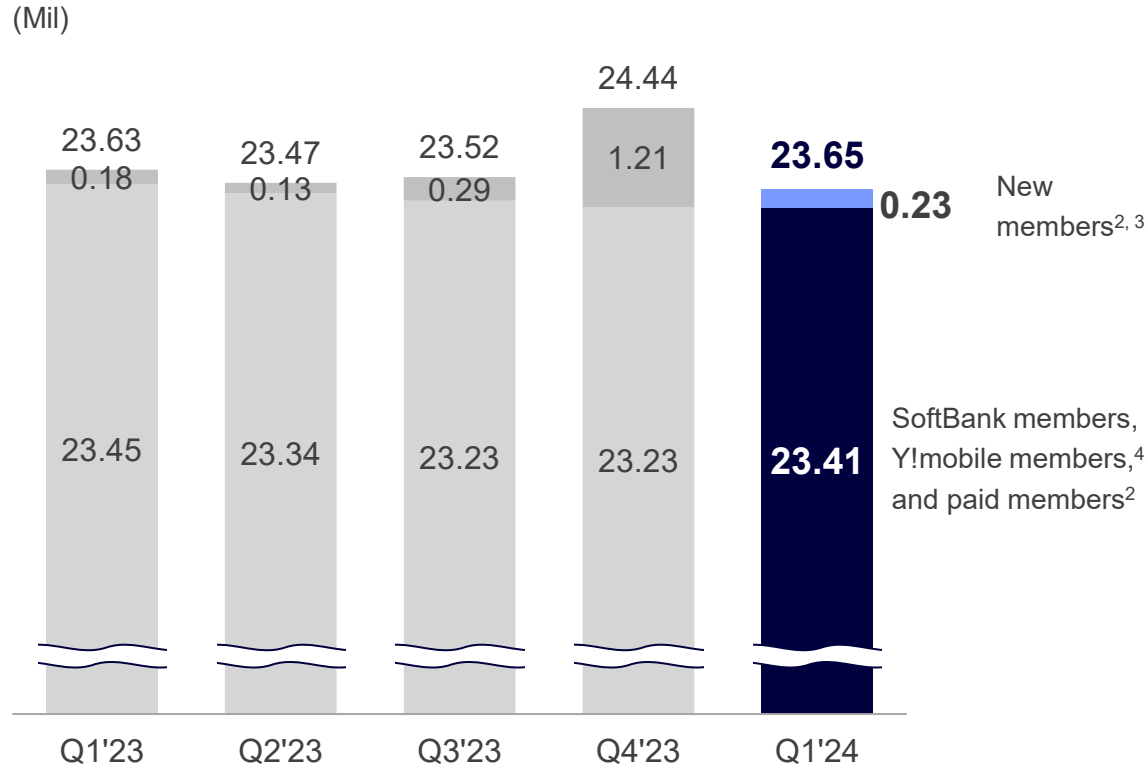
(JPY B)



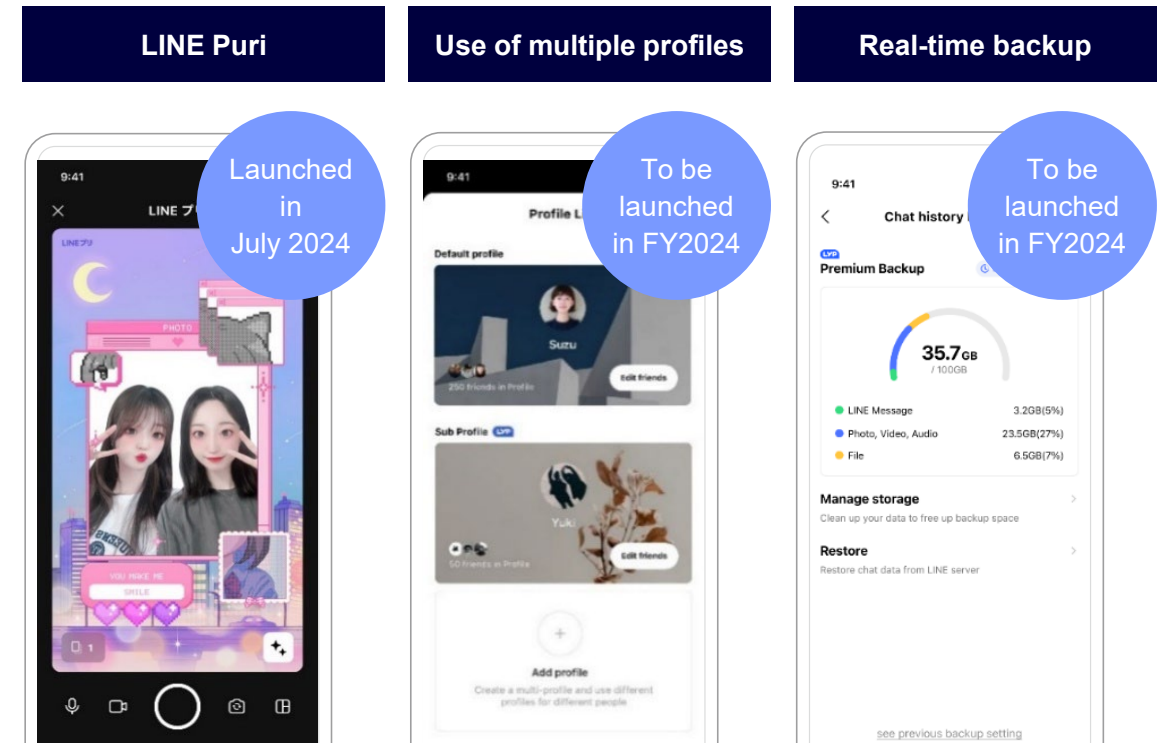
1. Figures provided are the number of paid accounts as of the end of each quarter.

- Implementing measures to convert new members into paid members and improve retention rates.

Yahoo! JAPAN Premium/LYP Premium<sup>1</sup> Membership



Product Reinforcement Measures<sup>5</sup>



- Yahoo! JAPAN Premium has been renamed as LYP Premium on November 29, 2023. The number of paid members and new members are estimates for FY2024 Q1, as they are finalized two months after the month in question.
- The number of paid members and new members are estimated figures based on the revenue of Yahoo! JAPAN Premium and LYP Premium. Even if members canceled their membership by the end of the month, they are counted as paid members if they were paid members during the month.
- As part of sales promotion measures, members who joined LYP Premium after it launched on November 29, 2023, can use the service free of charge for three months from the date of registration. Those who joined the service when it was under the name of Yahoo! JAPAN Premium can also use the service free of charge for a certain period from the registration date.
- SoftBank members and Y!mobile members eligible for LYP Premium benefits.
- The content depicted in these images is under development and may be subject to changes in the future.

- No. of sessions increased by promoting the use of multiple domains.

## Redesigned Tab Structure

## Effect



No. of sessions (number of visits) by users of the new tabs largely increased compared to non-users.

No. of sessions by users of the new tabs also increased compared to users of old tabs.

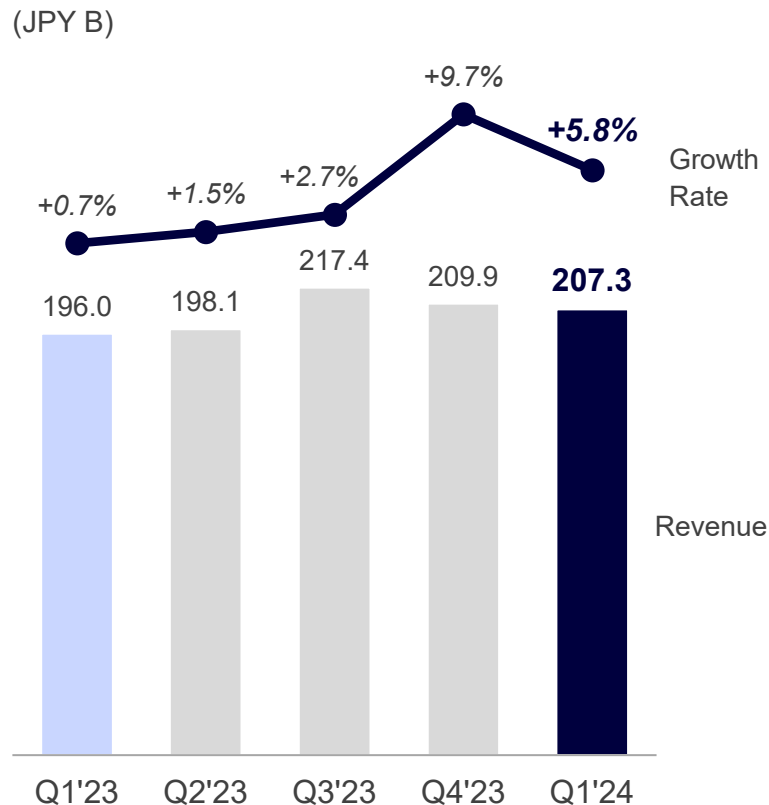
Will increase the no. of sessions by promoting the use of multiple domains in the app.



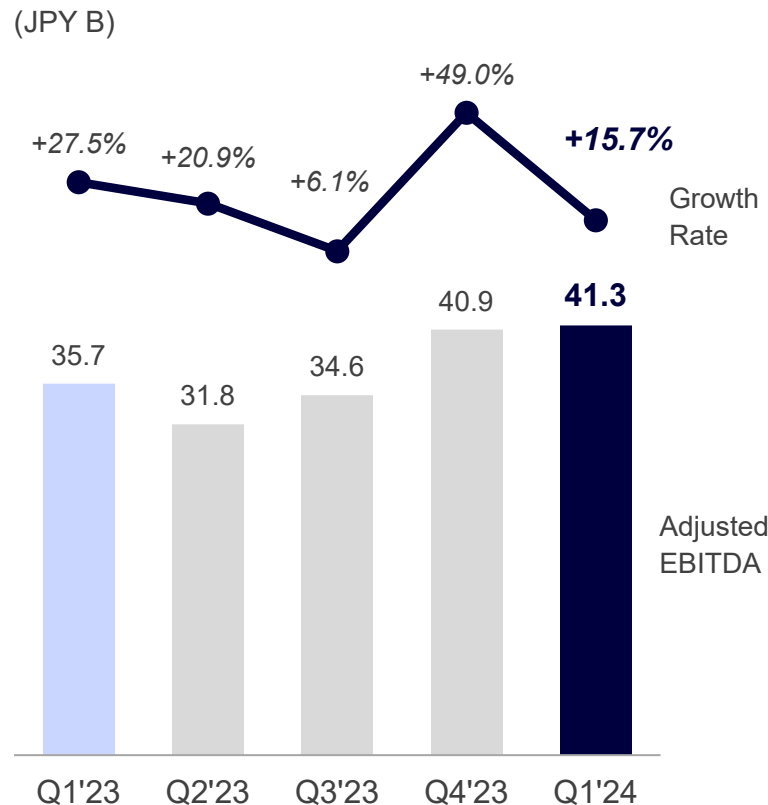
## Commerce Business – Performance

- Revenue of subsidiaries and Yahoo! JAPAN Shopping increased; one-time gain recorded in adjusted EBITDA.

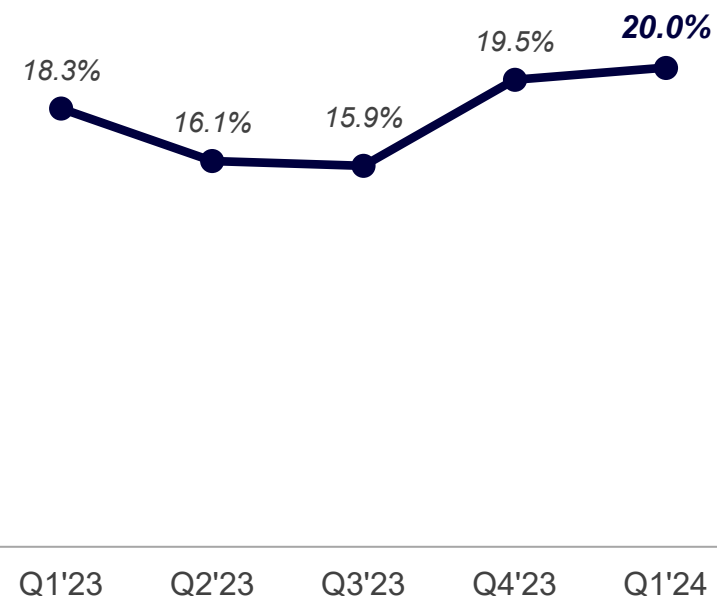
Revenue/YoY Growth Rate<sup>1, 2, 3</sup>



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



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

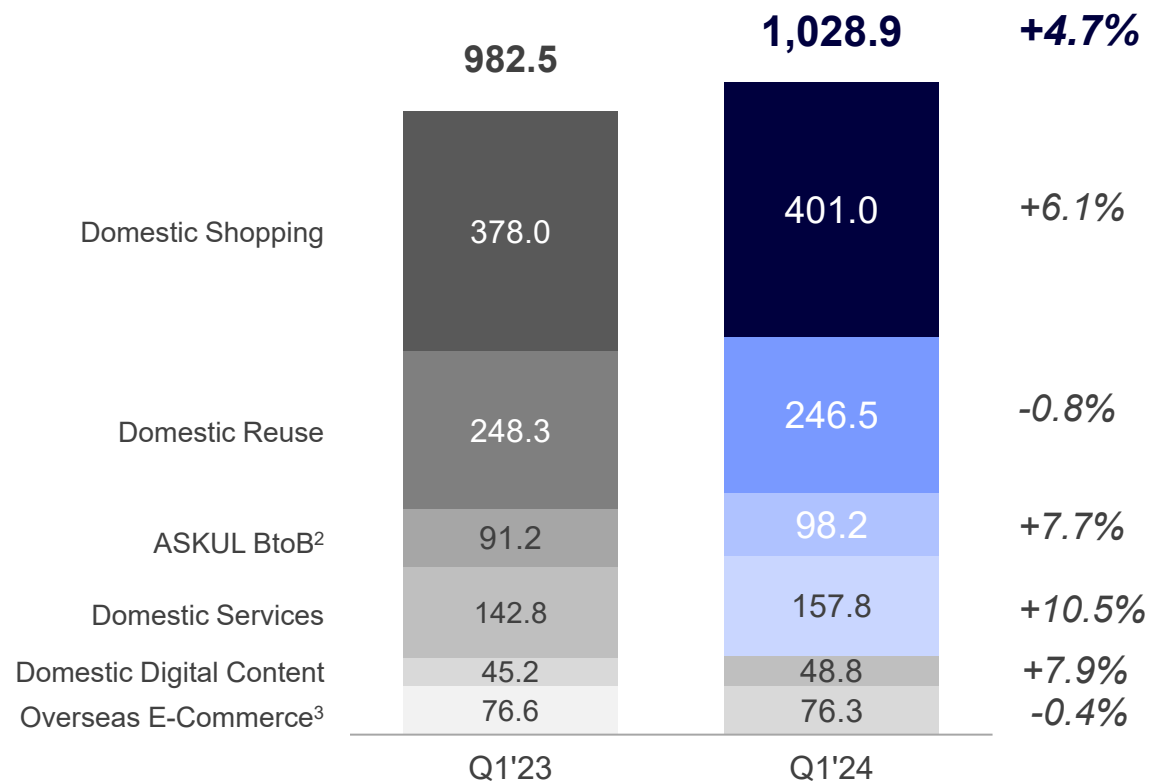


- From FY2023 Q1, part of the expenses related to LINE Corporation and its subsidiaries, which were previously allocated to Other and Adjustments, have been allocated to Commerce Business. The segment information for FY2022 has been revised as a result.
- In FY2023 Q3, membership service business was 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.

- Domestic shopping and ASKUL grew, and a strong growth in travel drove domestic services to a double-digit growth.

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

(JPY B)



**Domestic shopping business: +JPY22.9 billion**

- ZOZO and ASKUL steadily increased their transaction solidly.
- Transaction value of Yahoo! JAPAN Shopping recorded a YoY growth of +8.3% as a result of promotion of cross-use leveraging the LYP Premium program, sales promotional measures for LYP Premium members, and product improvement.

**Domestic reuse business: -JPY1.8 billion**

- Although some commercial products were sluggish due to market factors in Yahoo! JAPAN Auction, Yahoo! JAPAN Flea Market remained solid as number of buyers increased.

**Domestic services e-commerce: +JPY14.9 billion**

- Yahoo! JAPAN Travel continued a sales promotional measure providing 10% discount to all users. Sales promotional measures and personalized pricing in Ikyu also contributed to the expansion in transaction value.

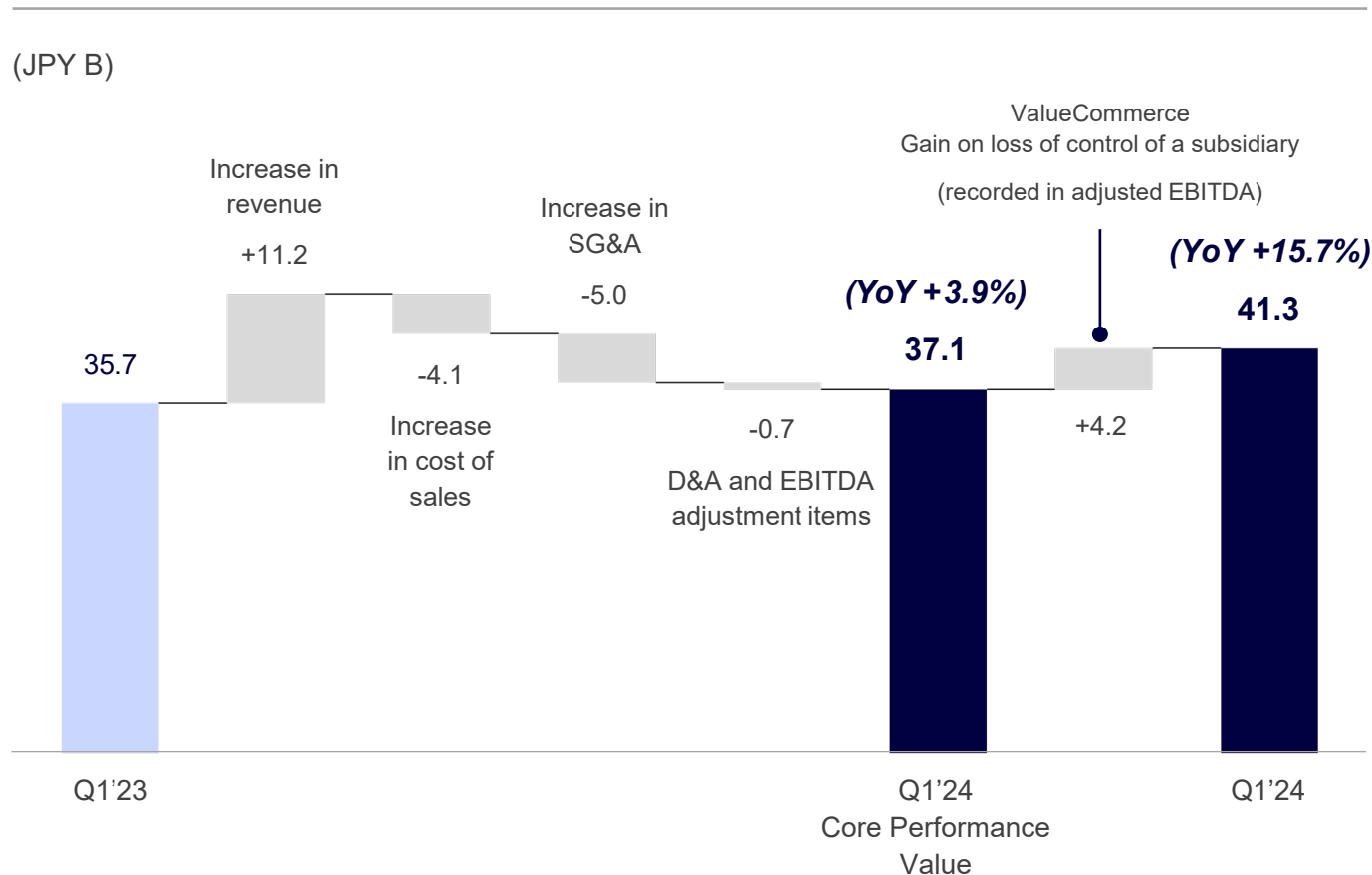
1. Please refer to P.23 of the Appendix for a definition of “transaction value.”

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.

- Income increased as a result of revenue growth of subsidiaries and Yahoo! JAPAN Shopping, offsetting the increased SG&A.

Factors of Change in Adjusted EBITDA<sup>1</sup>



**Cost of sales: +JPY4.1 B**

- Increased due to revenue growth in ZOZO, ASKUL, and Yahoo! JAPAN Shopping

**SG&A: +JPY5.0 B**

- Sales promotion costs/advertising & promotional expenses (+JPY4.5 B): Increased mainly in sales promotion measures of Yahoo! JAPAN Shopping for LYP Premium members and new users

**D&A and EBITDA adjustment items: -JPY0.7 B**

The following one-time factors were recorded in FY2024 Q1. These are included in the operating income, but not in adjusted EBITDA, thus are offset in EBITDA adjustment items (other adjustments).

- IPX Gain on loss of control of a subsidiary: JPY22.7 B
- ValueCommerce Gain on loss of control of a subsidiary: JPY6.9 B (out of which JPY4.2 B is recorded in adjusted EBITDA)

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 on remeasurement relating to business combinations, 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.

# Yahoo! JAPAN Shopping

- Transaction value of Yahoo! JAPAN Shopping grew as a result of a review of sales promotional measures and improvement in retention rate.

## Sales Promotional Measures for LYP Premium Members

- Review of sales promotional measures for LYP Premium members increased the no. of e-commerce users and spend.

Members newly using our e-commerce services

**FY2024 Q1 YoY +14%**

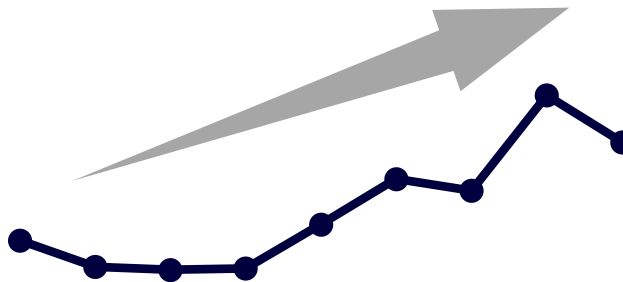
Average monthly e-commerce spend per member

**FY2024 Q1 YoY +8%**

## Improvement in Retention Rate

- Conducting sales promotions to new users, facilitating app usage which has high next month retention rate, and promoting visits and purchases via LINE Official Account.

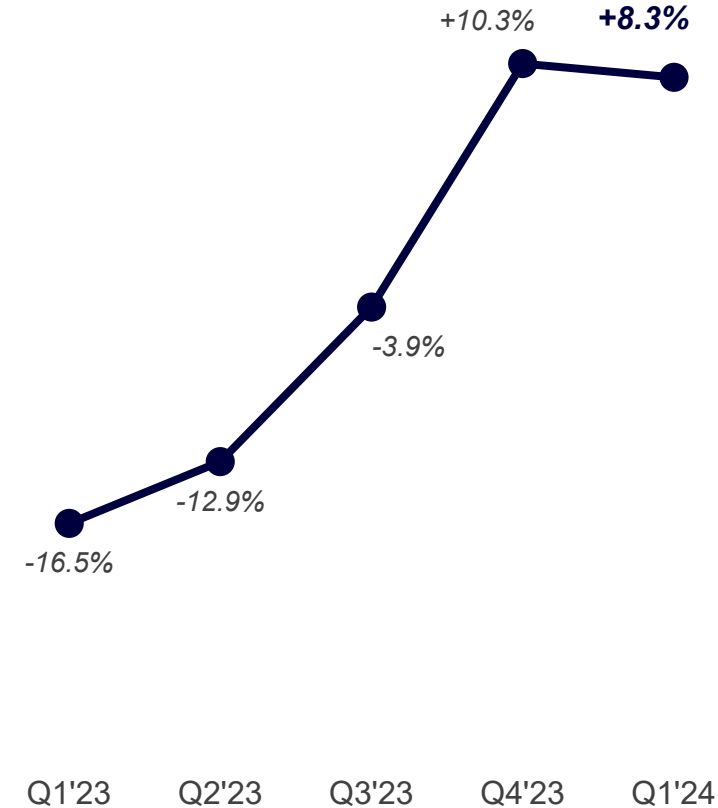
### Next Month Retention Rate of New Members



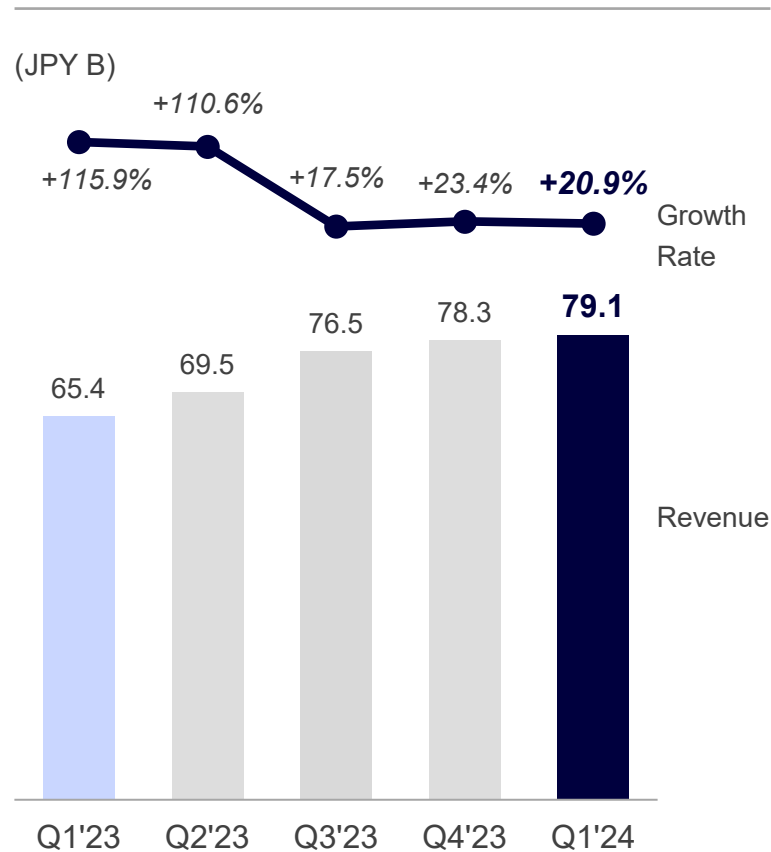
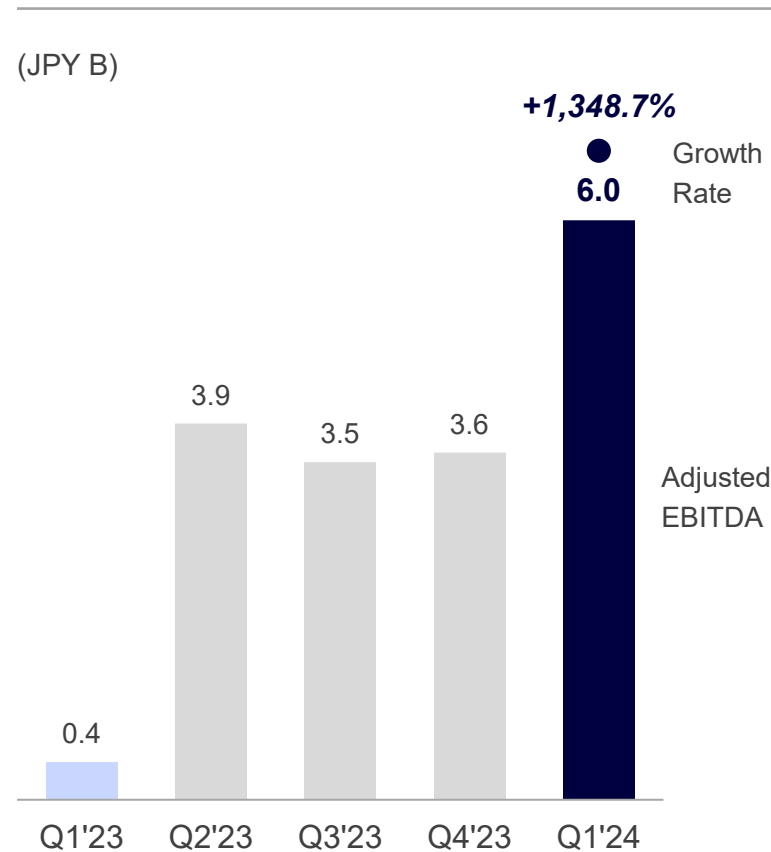
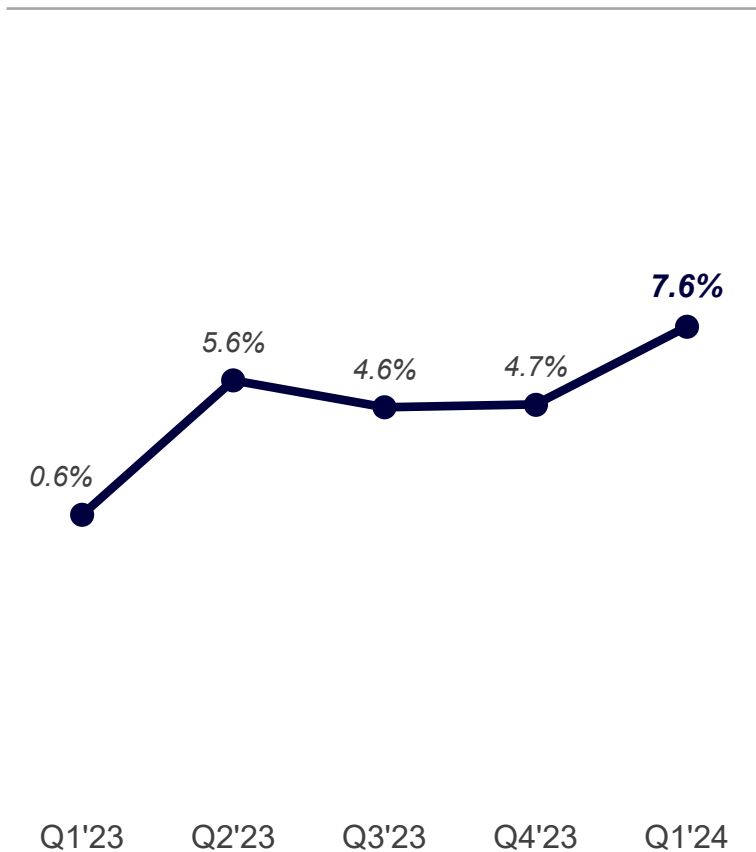
**Compared to FY2022 Q1 +6.7 points**

Q1'22 Q2'22 Q3'22 Q4'22 Q1'23 Q2'23 Q3'23 Q4'23 Q1'24

## Yahoo! JAPAN Shopping Transaction Value –YoY Growth Rate



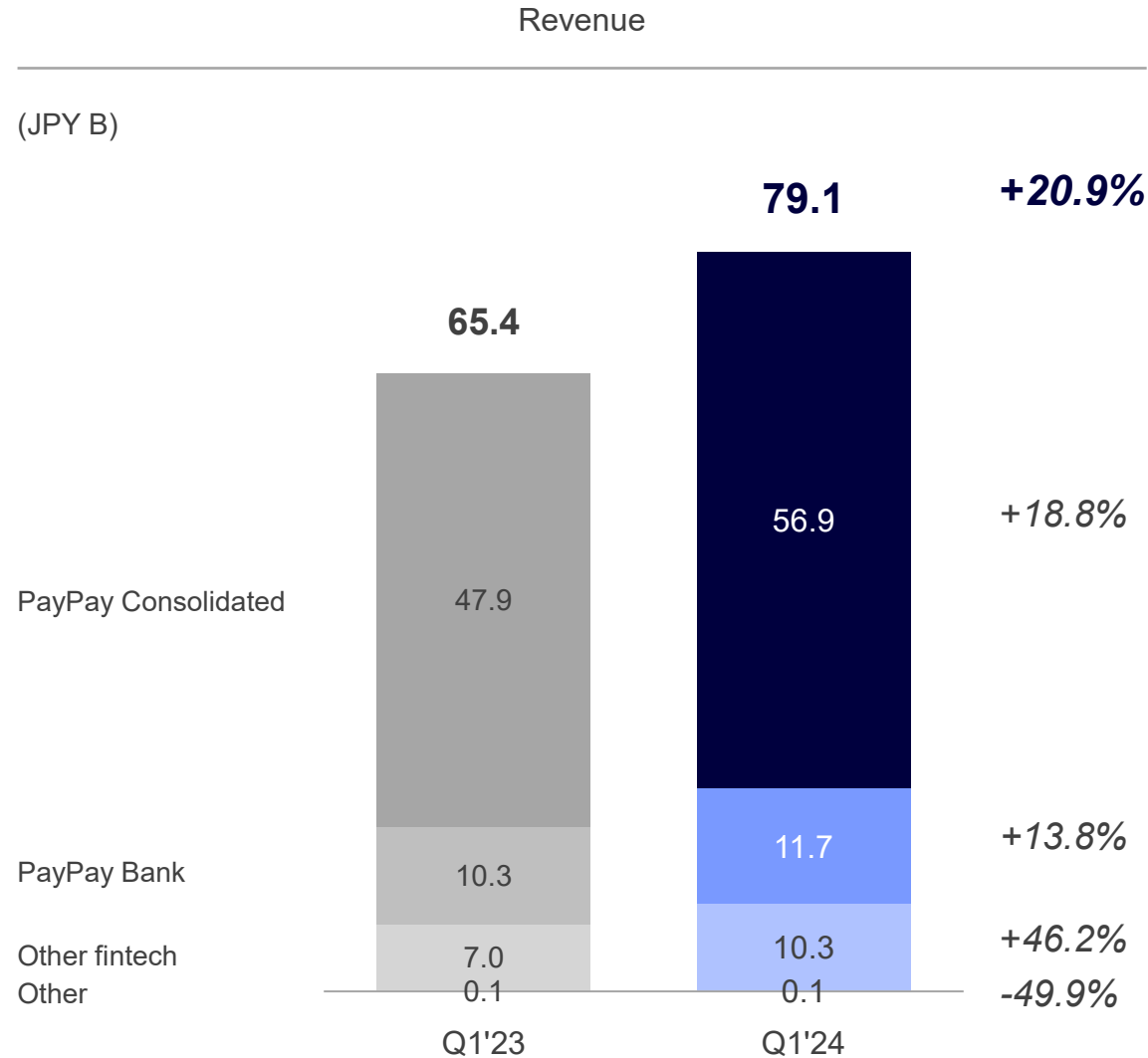
- Income increasing steadily as a result of growth driven by PayPay Consolidated and improved profitability in other fintech businesses.

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

1. 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.

2. 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.

- In addition to PayPay Consolidated, PayPay Bank and LINE Credit contributed to revenue growth.



**PayPay Consolidated: +JPY9.0 billion**

- Revenue from payment fees increased due to the expansion in consolidated GMV, and interest revenue increased resulting from expansion in revolving balances.

**PayPay Bank: +JPY1.4 billion**

- Increase in loan balances due to steady growth of mortgages and “bank card loans.”

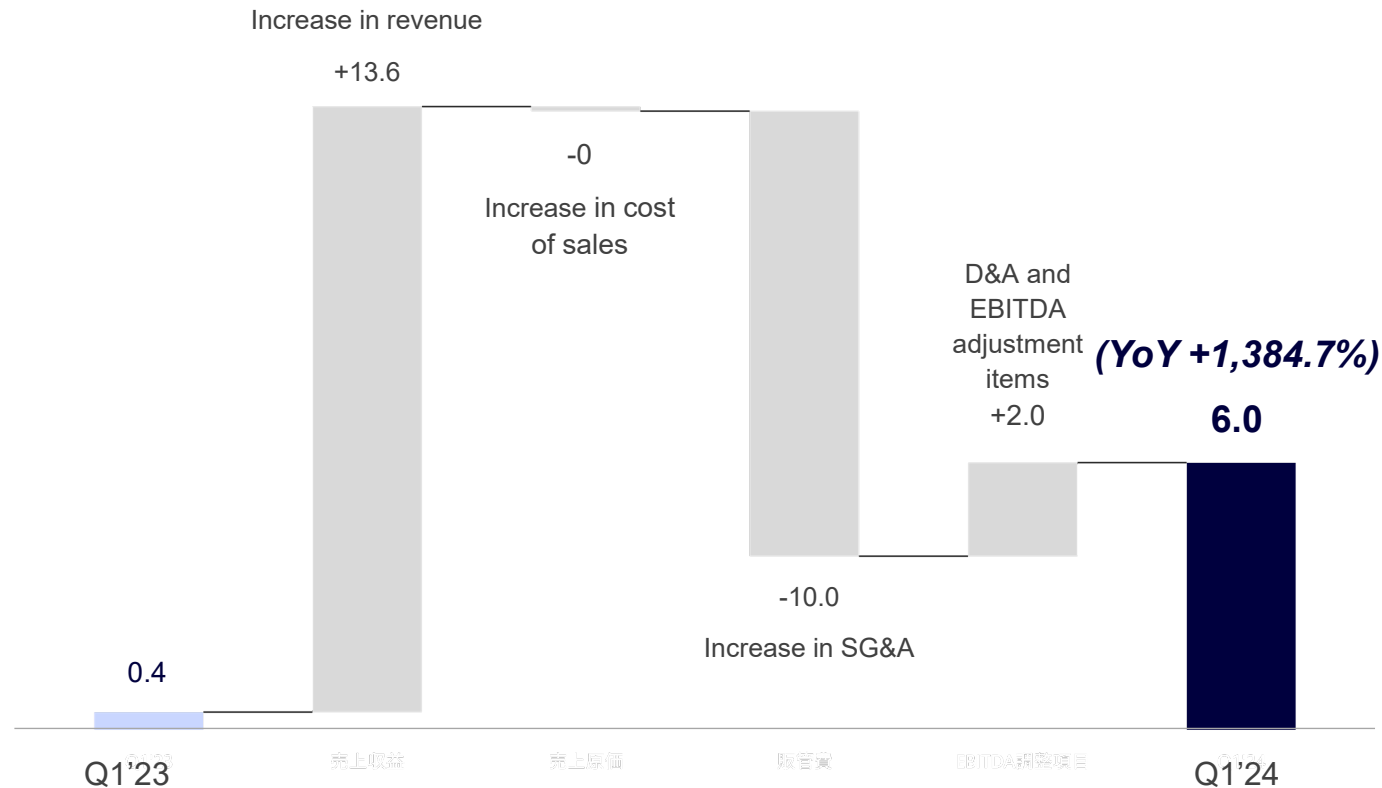
**Other fintech: +JPY3.2 billion**

- LINE Pay increased revenue as a result of steady overseas business.
- LINE Credit’s revenue increased as a result of increase in loan balances.

- **One-time expense due to termination of LINE Pay in Japan was offset by revenue growth, resulting in a significant increase in income.**

Factors of Change in Adjusted EBITDA<sup>1</sup>

(JPY B)

**Cost of sales: +JPY 0 B****SG&A: +JPY10.0 B**

- Sales promotion costs/advertising & promotional expenses (+JPY3.1 B): Point-reward expense increased mainly as a result of GMV increase in PayPay Consolidated.
- Other SG&A (+JPY6.9 B): Increased due to recording of expenses related to the termination of LINE Pay service in Japan and increase in payment-related fees for PayPay Consolidated.

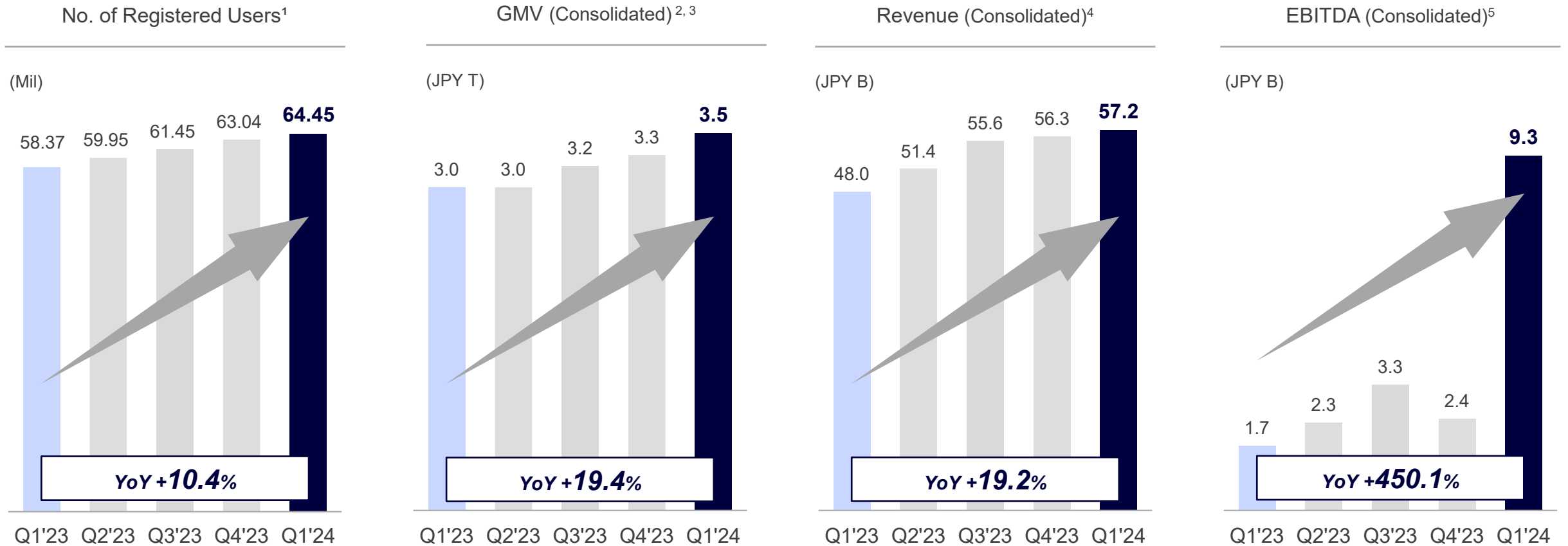
**D&A and EBITDA adjustment items: +JPY2.0 B**

The following one-time factor was recorded in FY2024 Q1. This is included in the operating income, but not in adjusted EBITDA, thus is offset in EBITDA adjustment items (other adjustments).

- LINE NEXT Gain on loss of control of a subsidiary: JPY13.3 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 on remeasurement relating to business combinations, 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.

- Quarterly operating income recorded profitability for the first time as a result of top-line growth and improved profitability.



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. Payments via Alipay and LINE Pay, etc. and payments through "PayPay Credit (formerly Atobarai)" are included. The figures represent the sum of GMVs of PayPay Corporation and PayPay Card Corporation, with internal transactions between the two companies eliminated.

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

4. The financial statements of PayPay Card Corporation have been consolidated with PayPay Corporation from the beginning of FY2021 by applying the pooling-of-interests method. IFRS. Non-audited.

5. Consolidated the financial statements of PayPay Card Corporation from the beginning of FY2021 by applying the pooling-of-interests method. EBITDA is calculated by adding depreciation and loss on disposal of non-current assets to operating income, IFRS. Non-audited.



## Summary

1

**Security measures are steadily being implemented.**

2

**Repurchasing own shares to maintain listing in the Prime Market and for shareholder return.**

3

**Business performance starting off smoothly.**

4

**Reinforcing products for top-line growth.**

**Shifting gears to achieve medium- to long-term business growth**

## 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.**