

Supplementary Material

Future Policies and Plans Regarding the Outsourcing Relationship with NAVER Corporation

July 1, 2024

LINEヤフー

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Types of outsourcing relationships, etc., response policies, and key points

	Category	Description (Examples)	Response Policy/Key Points
Type ① (TOC section 02)	Outsourcing of service planning/functions/development for businesses operated by LYC in Japan to NAVER and the NAVER Group	<ul style="list-style-type: none"> Outsourcing the development/planning of services and functions for businesses operated by LYC in Japan Use of NAVER's technology for the above 	<ul style="list-style-type: none"> Outsourcing from LYC to NAVER/NAVER Cloud will be terminated by the end of December 2025.*1 Use of NAVER's technology for the business consignments will be handled based on individual policies (e.g. terminate use upon end of consignment or maintain use after purchasing intellectual property). Outsourcing from LYC to other NAVER Group companies will be terminated by the end of March 2025.*1
Type ② (TOC section 03)	Use of NAVER's technology and systems at LYC	<ul style="list-style-type: none"> Use of NAVER's technology and systems for the operation of LYC, including systems for employees (excluding those in Type ①) 	<ul style="list-style-type: none"> LYC: Terminate use by the end of March 2025 Subsidiaries in Japan: Terminate use by the end of March 2026 Overseas subsidiaries: Plan accelerated to stop use by the end of March 2026 (target date)
Type ③*3 (TOC section 04)	Use of products and services available to the general public	<ul style="list-style-type: none"> Use of products and services such as SaaS that are available to the general public 	<ul style="list-style-type: none"> We will continue to use these services, etc. if they are confirmed to be provided in the same or equivalent manner as commercially available SaaS/APIs*2 (e.g. are not closely linked to our company's systems, and the service, etc. has a mechanism for users to control access).
	Use of general-purpose APIs	<ul style="list-style-type: none"> Use of general-purpose APIs 	
	Outsourcing, etc. in overseas businesses	<ul style="list-style-type: none"> Outsourcing, accepting business consignments, collaboration, etc. in overseas businesses excluding Japan 	<ul style="list-style-type: none"> Outsourcing, etc. will continue if it is confirmed that there is no route to handle/possibly handle data of users in Japan.*2
	Outsourcing, etc. in LY Corporation Group companies	<ul style="list-style-type: none"> Outsourcing, accepting business consignments, collaboration, etc. of non-LYC businesses 	
	Outsourcing undertaken/provision of services, etc. by LYC	<ul style="list-style-type: none"> Provision of LYC's technology licenses and BPO services to NAVER Group companies in Japan 	

*1 Earliest target completion date

*2 Continuation is subject to approval by top management based on security checks and risk assessment results.

*3 Outsourcing relationships, etc. between our subsidiaries and NAVER Group companies were identified based on interviews.

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Types of development consignments to be terminated

Category	Policy	
<p>Termination of service/feature development</p>	<ul style="list-style-type: none"> • Terminate not only the business consignment relationship but also the service/feature development itself in target domains. 	
<p>Termination of outsourcing to NAVER*2</p>	<p>Shift to in-house development (new development)</p>	<ul style="list-style-type: none"> • The services, functions, and programs to be transferred in-house will be developed from scratch, or built using LYC's existing components.*1 Once they are transferred to our development environment, we will cease outsourcing of operations and development, etc. to NAVER.
	<p>Shift to in-house development (use of collaborative deliverables/products)</p>	<ul style="list-style-type: none"> • Conduct operations and ongoing development at LYC using collaborative deliverables and products, and terminate the outsourcing to NAVER.
	<p>Use of third-party solutions</p>	<ul style="list-style-type: none"> • Use third-party technology to develop services, functions, and programs that are to be transferred in-house, and end outsourcing of operations/development to NAVER and terminate use of their intellectual property.

*1 Component: An element of constructing programs in systems.

*2 We are planning to cooperate with our consignees including our subsidiaries (LINE Plus, etc.) to end the business consignment relationship with NAVER.

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Outsourcing from LY Corporation to NAVER/NAVER Cloud

Outsourcing from LY Corporation to NAVER/NAVER Cloud (1/3)

Business domain	Main consignment details	Contracting corporation	Policy	Earliest target end date
Search services	Development of a new search engine for Yahoo! JAPAN Search and paid search advertising	NAVER	<ul style="list-style-type: none"> Have decided to end collaboration with NAVER 	End of Sep. 2024
	Development of some functions in similar-image search, a feature of camera search (used in Yahoo! JAPAN Search)	NAVER	<ul style="list-style-type: none"> End outsourcing to NAVER Consider a third-party solution 	End of Dec. 2024
Local services	CMS service development in local services	NAVER	<ul style="list-style-type: none"> Shift to in-house development (new development) and end outsourcing to NAVER 	End of Dec. 2025
	Development of some functions related to the provision of local information (facility/location information screen and search engine for local information)	NAVER	<ul style="list-style-type: none"> Shift to in-house development (new development) and end outsourcing to NAVER 	End of Mar. 2025
	Development and operation of LINE PLACE/LINE Receipt (including relevant data platforms)	NAVER	<ul style="list-style-type: none"> Terminate services Develop relevant data platforms in-house (new development) and end outsourcing to NAVER 	End of Aug. 2024
Commerce services	Development of search engines and some advertising functions for provision of commerce-related information	NAVER	<ul style="list-style-type: none"> Shift to in-house development (new development) and end outsourcing to NAVER 	End of Dec. 2025
	Development and operation in relation to commerce-related catalogs	NAVER	<ul style="list-style-type: none"> Shift to in-house development (new development) and end outsourcing to NAVER 	End of Jun. 2025

Outsourcing from LY Corporation to NAVER/NAVER Cloud (2/3)

Business domain	Main consignment details	Contracting corporation	Policy	Earliest target end date
Advertising	Development and operation of some functions related to display advertising used in the LINE app, etc.	NAVER	• Shift to in-house production (use of collaborative deliverables) and end outsourcing to NAVER	End of Sep. 2025
	Provision of internal marketing and ad distribution functions for overseas products	NAVER	• Shift to in-house production (new development) and end outsourcing to NAVER	End of Mar. 2025
	Development and operation of LINE Flyer	NAVER	• Shift to in-house production (use of collaborative deliverables) and end outsourcing to NAVER	End of Sep. 2024
Entertainment services	Service planning, development, and operation of LINE MUSIC	NAVER	• Shift to in-house production (new development and partial use of collaborative deliverables) and end outsourcing to NAVER	End of Mar. 2025 <small>The schedule for some components is under review</small>
	Provision of some components used in VOOM	NAVER	• Shift to in-house production (new development) and end outsourcing to NAVER	End of Mar. 2025
Messenger*1	Provision of VoIP (voice and video calls, etc.) quality testing solutions	NAVER	• Switch to intra-group outsourcing and end outsourcing to NAVER	End of Mar. 2025
	Provision of translation function in messaging service	NAVER Cloud	• Switch to general-purpose API and maintain use of feature	End of Mar. 2025

*1 Only some peripheral functions of LINE's messaging feature (e.g., the abovementioned VoIP quality testing and translation function) is outsourced to NAVER and NAVER Cloud, and the planning, development, and operation of the entire service is carried out by the LY Corporation Group. As for the peripheral functions currently outsourced, we plan to end the consignment in accordance with our policy, such as by switching to in-house development or general-purpose APIs. In addition, LINE Messenger also uses some of the development systems described on page 14, but we aim to stop using these by the end of March 2025.

Outsourcing from LY Corporation to NAVER/NAVER Cloud (3/3)

Business domain	Main consignment details	Contracting corporation	Policy	Earliest target end date
Other/ knowledge	<ul style="list-style-type: none"> Development and operation of some systems used in celebrity-related information provision services 	NAVER	<ul style="list-style-type: none"> Shift to in-house development (use of collaborative deliverables) and end outsourcing to NAVER 	End of Oct. 2024
Other/ general- purpose search functions	Development and operation of some search functions used in some LINE-brand services (i.e., functions for searching in certain databases for services including LINE Official Account and LINE NEWS)	NAVER	<ul style="list-style-type: none"> Shift to in-house development (new development) and end outsourcing to NAVER 	End of Mar. 2025

Note: Transactions with NAVER Cloud in relation to the LINE WORKS business are included in "04. Other Types of Outsourcing, etc. ②."

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**Outsourcing from LY Corporation
to other NAVER Group companies**

Outsourcing from LY Corporation to other NAVER Group companies

Business domain	Main consignment details	Contracting corporation	Policy	Earliest target end date
Games	Game testing QA (quality assurance) work	NAVER China	<ul style="list-style-type: none"> • Terminate business consignment 	End of Mar. 2025
LINE Profile Studio	Use of image generation API	SNOW	<ul style="list-style-type: none"> • Switch to general-purpose API and end outsourcing 	End of Aug. 2024

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Systems subject to migration

Classification		Description	Migration policy	End use by
Internal systems	LYC	A total of 14 internal systems, including authentication systems, HR systems, and workflows, used by employees of the former LINE Corporation and Japanese subsidiaries of the former LINE Group.	<ul style="list-style-type: none"> • Migrate to LYC's existing systems: Seven systems • Develop new systems that will be operated by LYC: One system • Migrate to third-party systems: Six systems 	End of Mar. 2025
	Japanese subsidiaries			End of Mar. 2026
	Overseas subsidiaries			In addition to the above 14 systems, seven other systems used by employees of the former LINE Group's overseas subsidiaries, including asset/service purchasing systems, legal systems, and labor systems (21 systems in total).
Development systems	LYC Japanese subsidiaries Overseas subsidiaries	A total of 30 development systems used in some LINE-brand services, including mobile push systems, build distribution automation systems, and IT configuration information management systems.	<ul style="list-style-type: none"> • Migrate to LYC's existing systems: 21 systems • Terminate system usage: Nine systems 	End of Mar. 2025

*¹ After considering the details of the migration method, the schedule has been moved up from December 2026.

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**Other relationships between
the LY Corporation Group and NAVER Group**

Other types of outsourcing, etc. and risk assessment approach

Top management approval based on security checks and risk assessment results are required before continuing any of the following consignments.

Type	Description	Approach to risk assessment
Use of products/services available to the general public	<ul style="list-style-type: none"> Use of products and services such as SaaS that are available to the general public 	<ul style="list-style-type: none"> If usage of the service, etc. is to continue, we will first confirm that they are provided in the same or equivalent manner as commercially available SaaS/APIs (e.g. are not closely linked to our company's systems, and the service, etc. has a mechanism for users to control access). Security checks will be implemented on all existing external services that will be introduced to the company without exception, including those provided by NAVER.
Use of general-purpose APIs	<ul style="list-style-type: none"> Use of general-purpose APIs 	
Outsourcing, etc. in overseas businesses	<ul style="list-style-type: none"> Outsourcing, accepting business consignments, collaboration, etc. in overseas businesses not including Japan 	<ul style="list-style-type: none"> Outsourcing, etc. will continue only if we confirm that there is no route to handle/possibly handle data of users in Japan. Our security department will confirm the above by conducting risk assessments.
Outsourcing, etc. in LY Corporation Group companies	<ul style="list-style-type: none"> Outsourcing, accepting business consignments, collaboration, etc., of non-LYC businesses 	
Outsourcing undertaken/provision of services, etc. by LYC	<ul style="list-style-type: none"> Provision of LYC's technology licenses and BPO services to NAVER Group companies in Japan 	

LY Corporation's use of SaaS/API and overseas businesses

Domain	Main consignment details	Contracting party, etc.	Policy moving forward
Customer service operations of overseas businesses	<ul style="list-style-type: none"> Customer service operations in Korea for services provided in the region 	<ul style="list-style-type: none"> Incomms 	<ul style="list-style-type: none"> Scheduled to continue (overseas business-related consignments)
Infrastructures for overseas businesses	<ul style="list-style-type: none"> Gateway server for LINE users outside Japan Infrastructure of the LINE Pay service offered in Thailand VoIP solution servers provided for NAVER services 	<ul style="list-style-type: none"> NAVER Cloud 	<ul style="list-style-type: none"> Scheduled to end (details and timing are currently under consideration) Note: We are considering developing and operating the infrastructures independently.

Outsourcing relationship, etc. between LINE Plus and NAVER Group

Domain	LINE Plus status	Main consignment details	Contracting party, etc.	Future policy
Use of advertising platforms in overseas businesses	Consigner	<ul style="list-style-type: none"> Ad sales and the optimization thereof in Taiwan and Thailand 	<ul style="list-style-type: none"> NAVER 	<ul style="list-style-type: none"> Planned to continue (overseas business-related consignments)
IT systems/infrastructure	Consigner	<ul style="list-style-type: none"> Use of internal systems such as HR systems and financial systems Service infrastructure tools such as database management and network monitoring 	<ul style="list-style-type: none"> NAVER Cloud 	<ul style="list-style-type: none"> Planned to end (end of March 2026)
Games	Consigner	<ul style="list-style-type: none"> Game-related testing (QA) work 	<ul style="list-style-type: none"> NAVER China 	<ul style="list-style-type: none"> Planned to end (end of March 2025)
Overseas commerce Billing (payments)	Consigner	<ul style="list-style-type: none"> UI development, design, QA, etc. for the overseas commerce business QA testing in relation to billing 	<ul style="list-style-type: none"> N Tech 	<ul style="list-style-type: none"> Planned to continue (overseas business-related consignments) Planned to continue (under review)
BPO services in Korea	Consigner	<ul style="list-style-type: none"> Payroll, employee benefit services, purchasing and contract support, PC kitting and distribution Use of workshop facilities, childcare facilities, and rest areas 	<ul style="list-style-type: none"> NAVER I&S, Commpartners NAVER, NAVER J.Hub 	<ul style="list-style-type: none"> Planned to continue
VoIP solution	Provider	<ul style="list-style-type: none"> Provision of VoIP solution called LINE Planet and its system to NAVER 	<ul style="list-style-type: none"> NAVER 	<ul style="list-style-type: none"> Planned to continue*1
Internal systems	Provider	<ul style="list-style-type: none"> Provision of multilingual management tools, in-app notification tools, etc. 	<ul style="list-style-type: none"> NAVER NAVER Cloud N Tech NAVER FRANCE NAVER LABS, etc. 	<ul style="list-style-type: none"> Terminate provision (by March 2026)

*1 LINE Planet is a VoIP solution for NAVER and is separate from LINE services.

Other outsourcing relationships, etc. between LY Corporation Group and NAVER Group

Company name	Status	Summary	Contracting party, etc.	Future policy
LY Communications	Consignee	<ul style="list-style-type: none"> Service operations, QA work Customer support operations 	<ul style="list-style-type: none"> NAVER SNOW 	<ul style="list-style-type: none"> SNOW (To be reviewed based on status) NAVER (Planned to end in July 2024)
LINE Pay	Consignor, etc.	<ul style="list-style-type: none"> QA and UI coding for the LINE Pay service 	<ul style="list-style-type: none"> N Tech, Incomms, NIT 	<ul style="list-style-type: none"> Planned to end (end of July 2025)
<u>Taiwanese corporation</u> LINE Taiwan	User/ collaborator	<ul style="list-style-type: none"> Use of the SINICA Corpus 4.0 license 	<ul style="list-style-type: none"> NAVER 	<ul style="list-style-type: none"> Planned to continue (overseas business-related consignments)
		<ul style="list-style-type: none"> Competency partnership agreement for NAVER CLOUD PLATFORM services 	<ul style="list-style-type: none"> NAVER Cloud 	<ul style="list-style-type: none"> Planned to continue (overseas business-related consignments)
<u>Korean corporations</u> LINE Financial LINE Pay Plus LINE STUDIO	Consignor, etc.	<ul style="list-style-type: none"> BPO work Facility use QA, UI coding 	<ul style="list-style-type: none"> NAVER I&S, Commpartners NAVER, NAVER J.Hub N Tech 	<ul style="list-style-type: none"> Planned to continue (overseas business-related consignments)
<u>Overseas corporations</u> LINE Financial LINE STUDIO LINE Pay Plus LINE Pay Taiwan LINE Company (Thailand) LINE Pay (Thailand) LINE Man	User	<ul style="list-style-type: none"> Use of in-house systems 	<ul style="list-style-type: none"> NAVER Cloud 	<ul style="list-style-type: none"> Planned to end (end of March 2026)
<u>Overseas corporations</u> LINE Pay Taiwan LINE Pay (Thailand)	User	<ul style="list-style-type: none"> Use of the Papago API 	<ul style="list-style-type: none"> NAVER Cloud 	<ul style="list-style-type: none"> Planned to continue (overseas business consignments)

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Other relationships between LY Corporation Group and LY Corporation's affiliates who are also NAVER subsidiaries

Overview of policy regarding collaboration with our affiliates who are also NAVER subsidiaries

Policy of collaborating with our affiliates who are also subsidiaries of NAVER

The following policy have been agreed upon between the top management of each company:

- Continue to operate the services in a stable way that does not affect users
- From former LINE's environment, migrate to NAVER's environment
- Implement the above without affecting the network separation process between LYC and NAVER (by end of March 2026)

Individual policy per company

LINE Digital Frontier

- Even after migrating to NAVER's environment, there is a possibility that LINE Digital Frontier will continue to partially use our systems, as well as use our data for collaborative work (i.e., jointly use our user data as an affiliate). Therefore, we are currently reviewing and discussing this matter with the company.
- As a safety management measure for LINE Digital Frontier to be in LYC's environment until the migration is complete, we plan to review accounts and access permissions that we issue to LINE Digital Frontier, and lend additional PCs prepared by us to the company.

LINE WORKS

- **AI business**
Even after migrating to the NAVER environment, there is a possibility that LINE WORKS will continue to partially use our systems, as well as use our data for collaborative work (i.e., jointly use our user data as an affiliate). Therefore, we are currently reviewing and discussing this matter with the company.
- **LINE WORKS Business Chat**
As the service is connected to LINE Official Account via API, we plan to change the communication route so that it will not be affected by the network separation. As an interim measure until the above migration is complete as well as a safety management measure for LINE WORKS to be in LYC's environment, we plan to review the accounts and access permissions that we issue to LINE WORKS, and lend additional PCs prepared by us to the company.

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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. In this document, LY Corporation is described as “LYC.”