

Z Holdings Corporation

Business Integration with LINE Corporation

Strategy Briefing

March 1, 2021

Z HOLDINGS

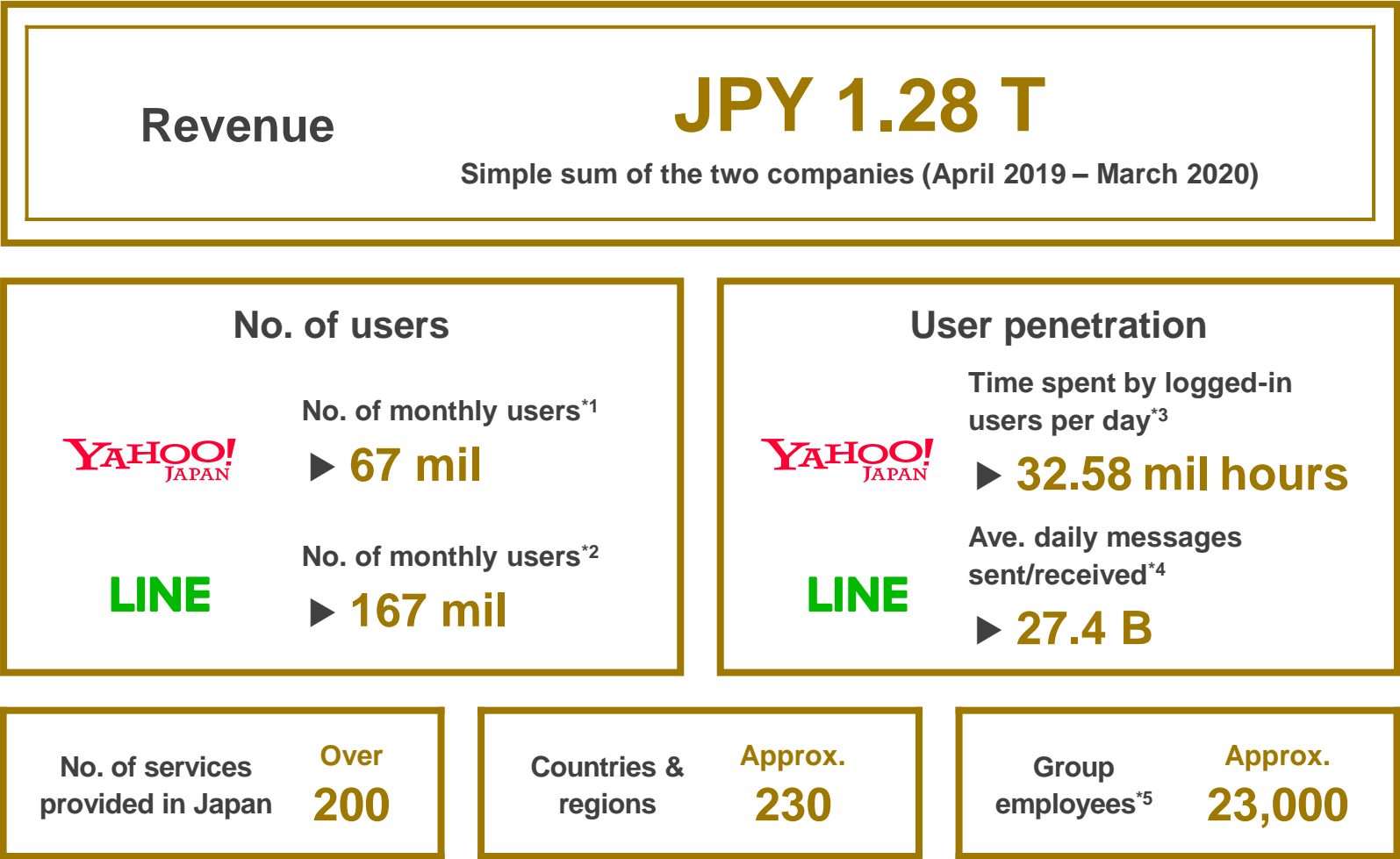
1 New Z Holdings – Overview

2 Business Strategy
Medium-term Management Index & Financial Strategy

3 Group Management Structure

1. New Z Holdings – Overview

NEW Z HOLDINGS



*1 Nielsen “TOPS OF 2018: DIGITAL IN JAPAN”: Top 10 Total numbers of digital users in Japan

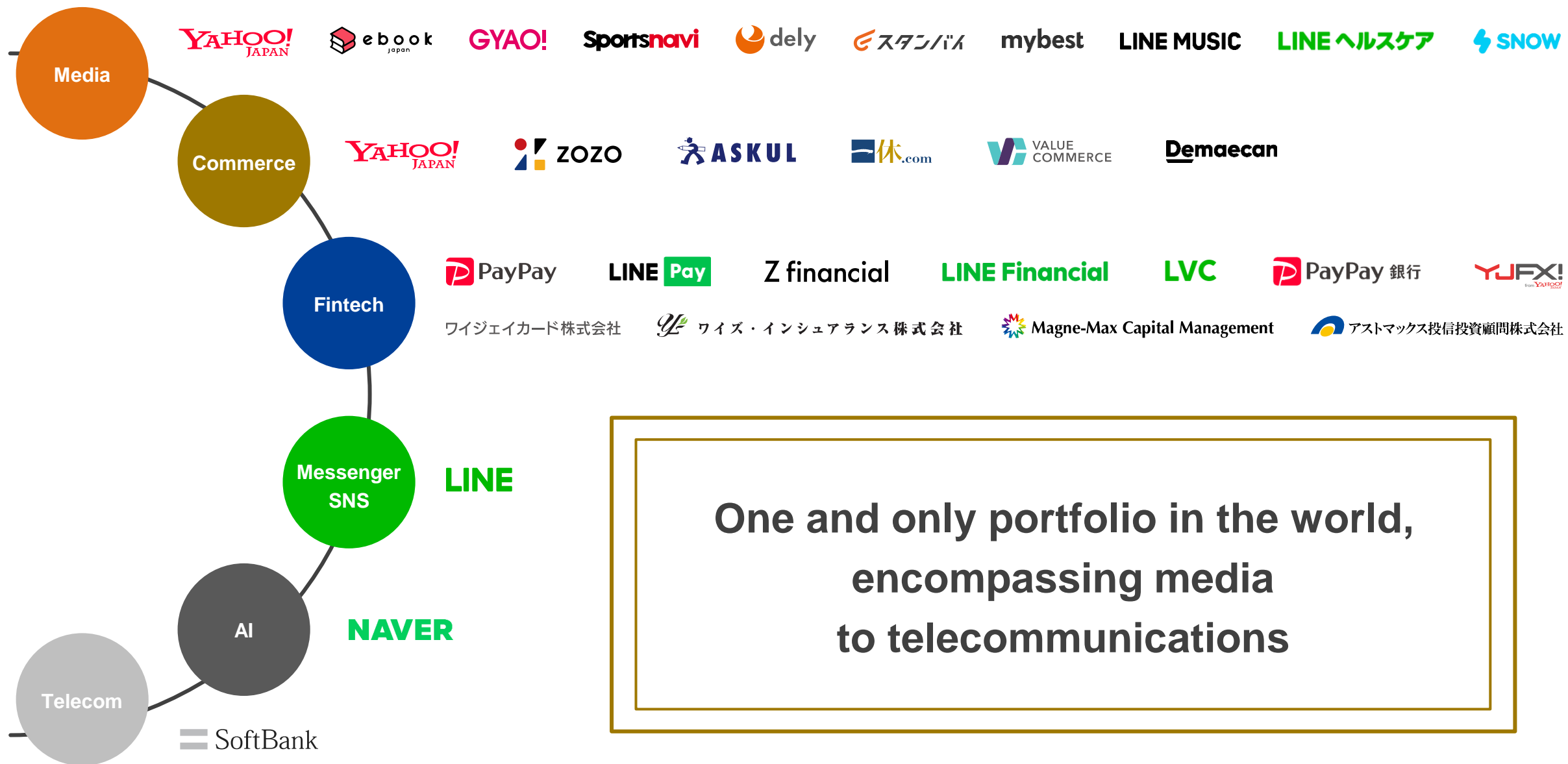
*2 Total no. of monthly users in four countries and regions (Japan, Taiwan, Thailand, Indonesia) as of September 30, 2020.

*3 Time spent by logged-in users per day in 2020 (January - December)

*4 Average daily messages sent & received globally in 2020 (January - December)

*5 Sum of consolidated number of employees of Z Holdings Corporation as of March 31, 2020 and consolidated number of employees of LINE Corporation as of October 31, 2020

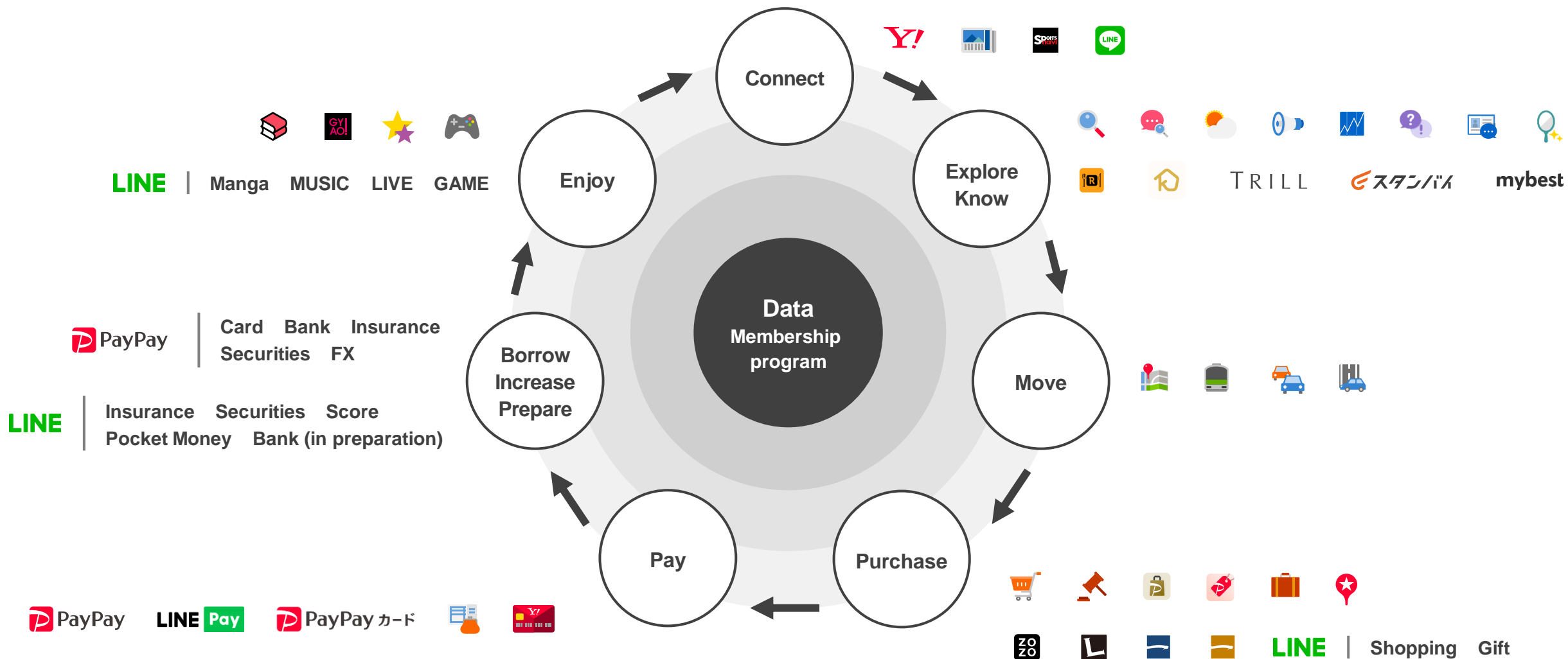
New ZHD Group – Uniqueness (Source of value creation)



One and only portfolio in the world,
encompassing media
to telecommunications

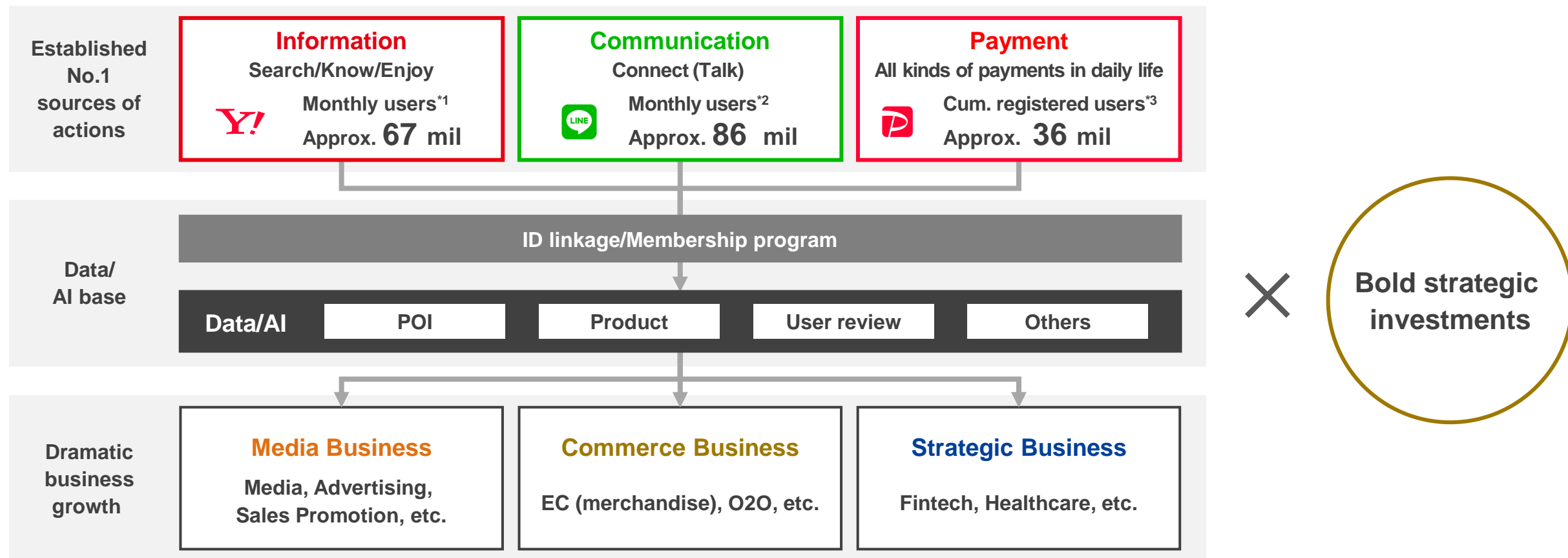
New ZHD Group – Uniqueness (Process of value creation)

Create a unique ecosystem through deeper collaborations between services



Business/service growth policy

Aim for a dramatic business growth through bold strategic investments mainly around the 3 “sources of actions”






*1 Nielsen “TOPS OF 2018: DIGITAL IN JAPAN”: Top 10 Total numbers of digital users in Japan

*2 No. of monthly users in Japan as of September 30, 2020.

*3 As of February 28, 2021

Robust approach to growing markets by “Strongest Assets” × “Strategic Investments,” maintaining EBITDA growth

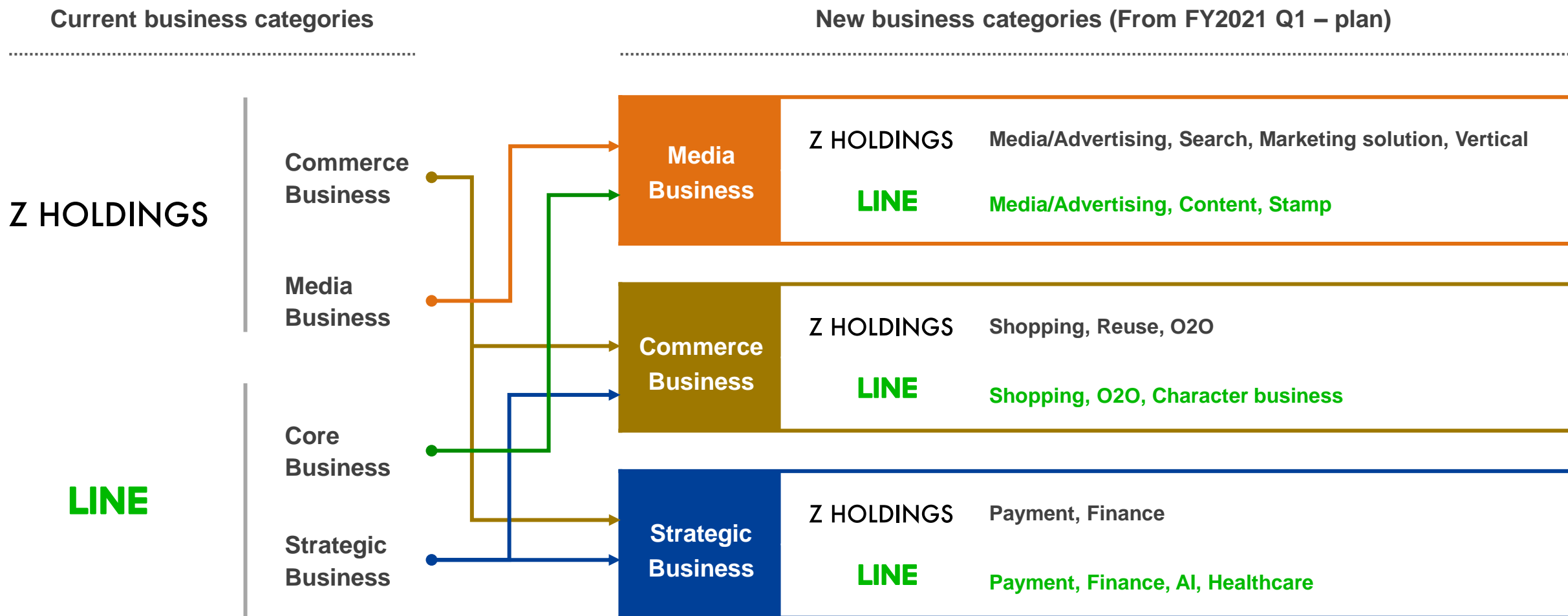
- 1 Japan's Strongest Asset**  Information ×  Communication ×  Payment
Unparalleled reach and engagement with Japanese Internet users from 3 sources of actions
- 2 Bold strategic investments**
Execute JPY 500B investments in 5 years mainly in Data × AI
- 3 Increase market share in current markets & create new markets**
Expand market share & target market through integration synergies
- 4 Finance strategy & group governance to maximize shareholder value**
Appropriate financial discipline, and experienced management team & independent outside directors

2. Business Strategy

Medium-term Management Index & Financial Strategy

New business categories (plan)

Introduce 3 new business categories: Media, Commerce & Strategic by classifying businesses depending on its growth phase



Management index & targets by businesses

Group-wide target

Aim to achieve existing medium-term target (op. income) and set a new mid-long topline target despite bold strategic investments

- FY2023 Revenue: JPY 2T
- FY2023 Adjusted EBITDA: JPY 390B
(equivalent to op. income: JPY 225B)

Media Business

**Pursue full-funnel,
one-on-one marketing**

- Ad revenue: aim for YoY double-digit growth (including sales promotional solutions, etc.)
- Adjusted EBITDA margin: 40-50% as a guide

Commerce Business

Aim to maximize transaction value in both online & offline domains while refining fundamental value

- Aim to become No. 1 in domestic EC (merchandise) transaction value in early 2020's
- Strengthen customer attraction and social commerce using LINE; our new growth driver

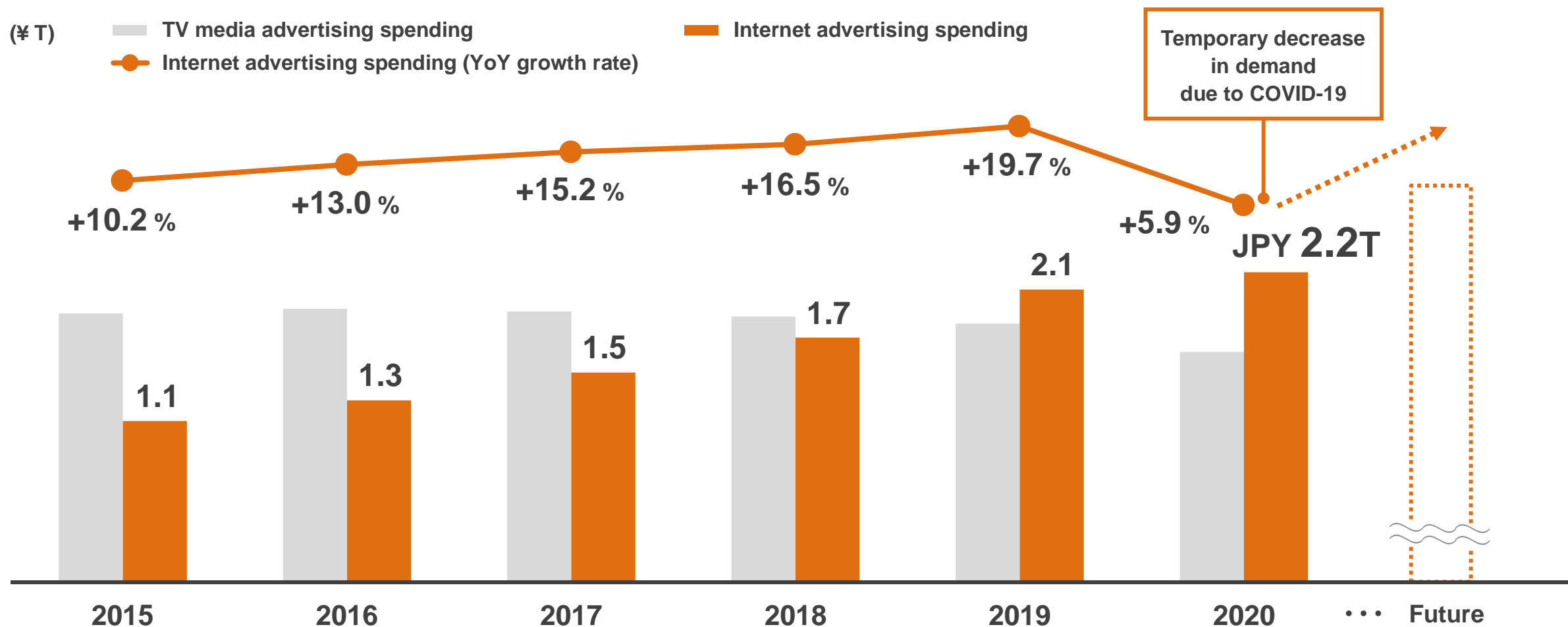
Strategic Business

Create new revenue pillars mainly in Fintech

- Achieve over YoY+20% revenue growth
- Aim for a size of JPY 100B in adjusted EBITDA in future years

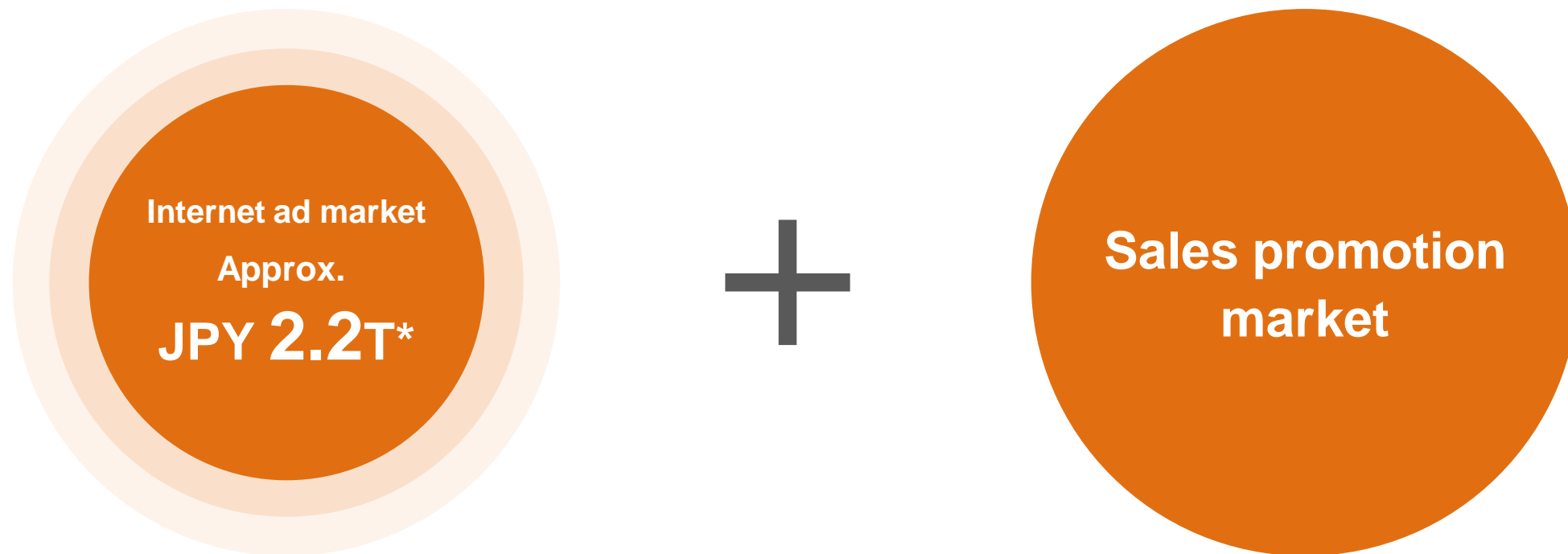
Media Business

Increase market share with integration synergies in the growing Internet ad market*



* 2020 Advertising Expenditures in Japan, Dentsu Inc

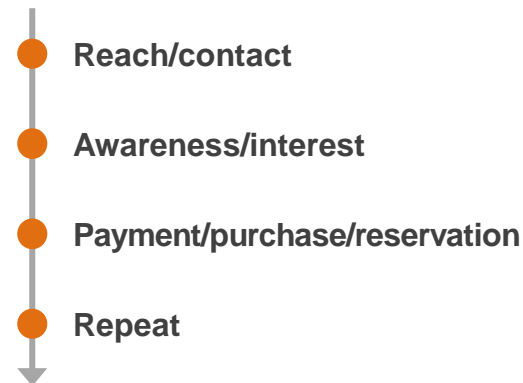
Newly capture sales promotion market, leveraging robust group assets



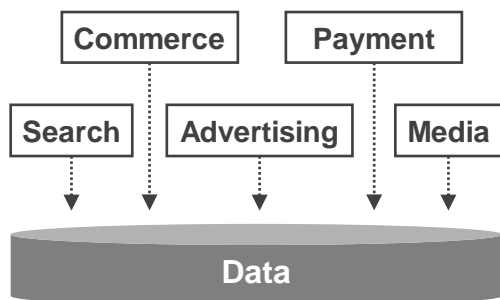
Unique assets not available in competitors



**Unparalleled reach in
cross devices**



**Group services that
encompass full-funnel**



**Full use of data
in group ecosystem**

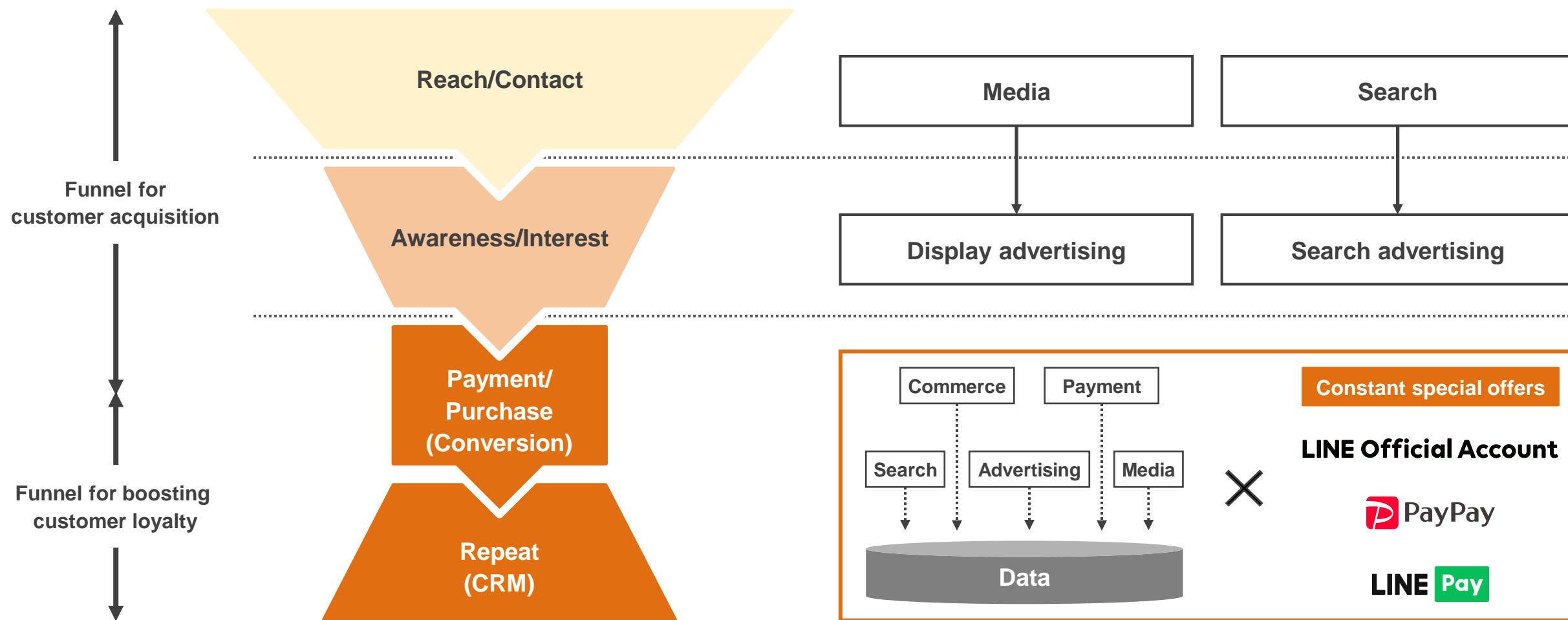
Y! 67 mil*

LINE 86 mil

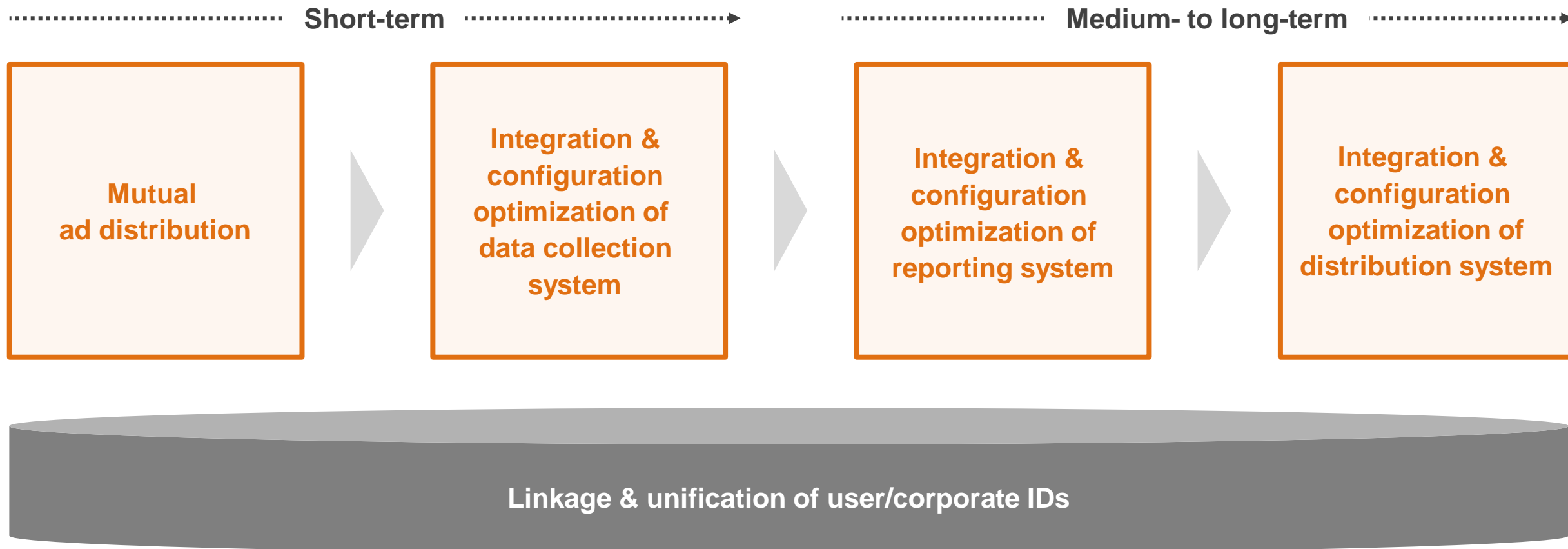
P 36 mil

**One of the largest user
base in Japan**

In addition to full-funnel marketing, pursue one-on-one marketing with best-suited proposals for each user



Raise ad value through mutual linkage of data & ad platforms



Pursue full-funnel, one-on-one marketing

Management index/Major KPI

- Double digit growth in advertising revenue (including sales promotional solutions, etc.)
- Adjusted EBITDA margin 40-50% as a guide
- Capture the sales promotion market and create a new revenue pillar leveraging integration synergies

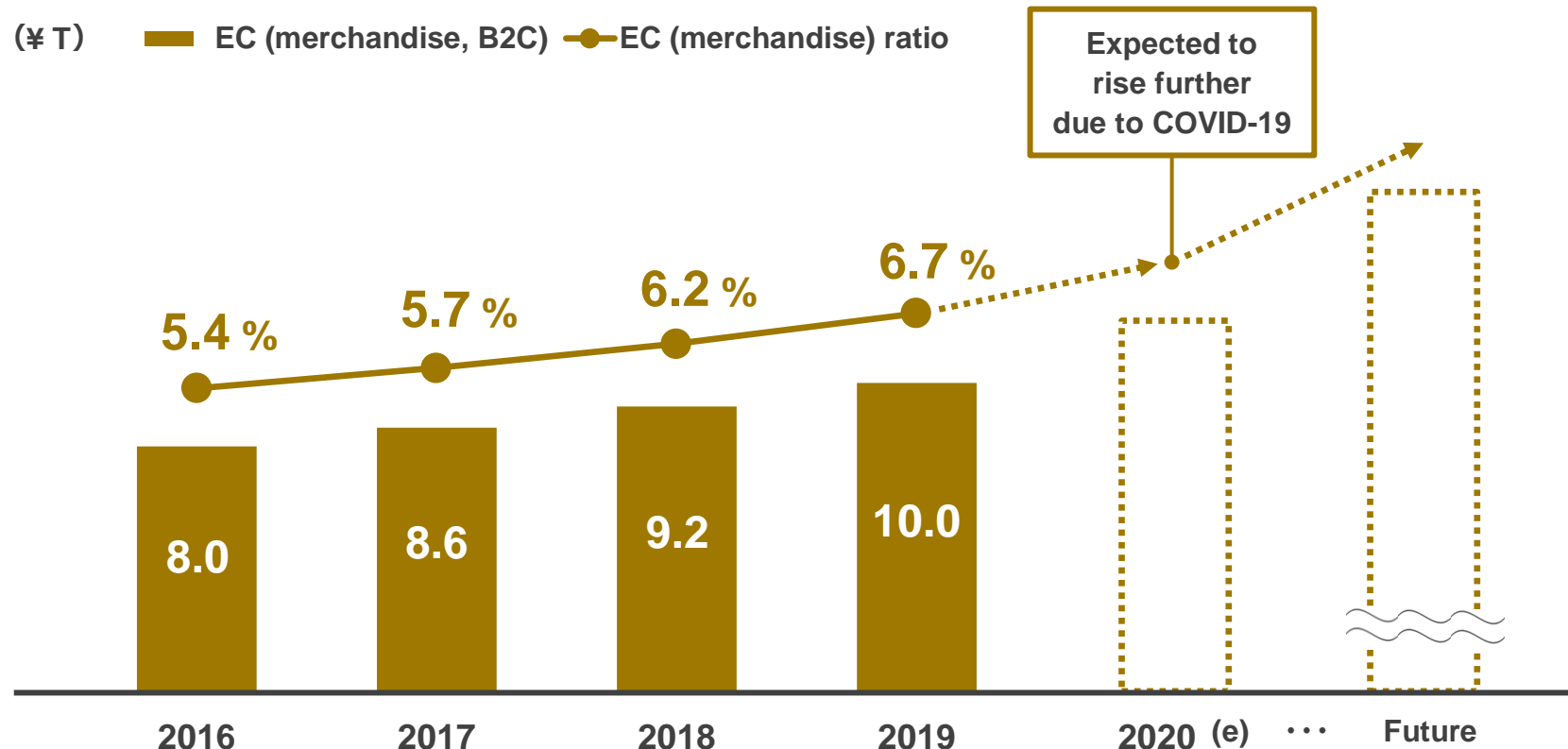
Major strategic investment

- Mainly invest in strengthening of advertising platform & system base, and in talent acquisition

Commerce Business

Increase share in the expanding EC market by introducing services leveraging synergies

EC (merchandise, B2C) market size and EC (merchandise) ratio*1



EC ratio*2 of other countries (2020)

World average 18.0%



44.8%



21.4%



14.4%

*1 Ministry of Economy, Trade and Industry, "Market Research on Electronic Commerce Transactions"

*2 Insider Intelligence Inc. eMarketer "Global Ecommerce Update 2021", reported on Jan 13, 2021

Leveraging robust group assets, also capture offline consumer market



Measures that transcends online/offline worlds, and delivery of new value

Integration of loyalty program across group companies & use of LINE official accounts

+

Linkage with physical stores (“X Shopping”)

Over the counter
pick-up

My Price

Local delivery
(Last one mile)

+

Delivery of new value

Smart Store
Project

Team
purchase

Social gifts

Live
commerce



No.1 line-up

No.1 ease of search

No.1 delivery

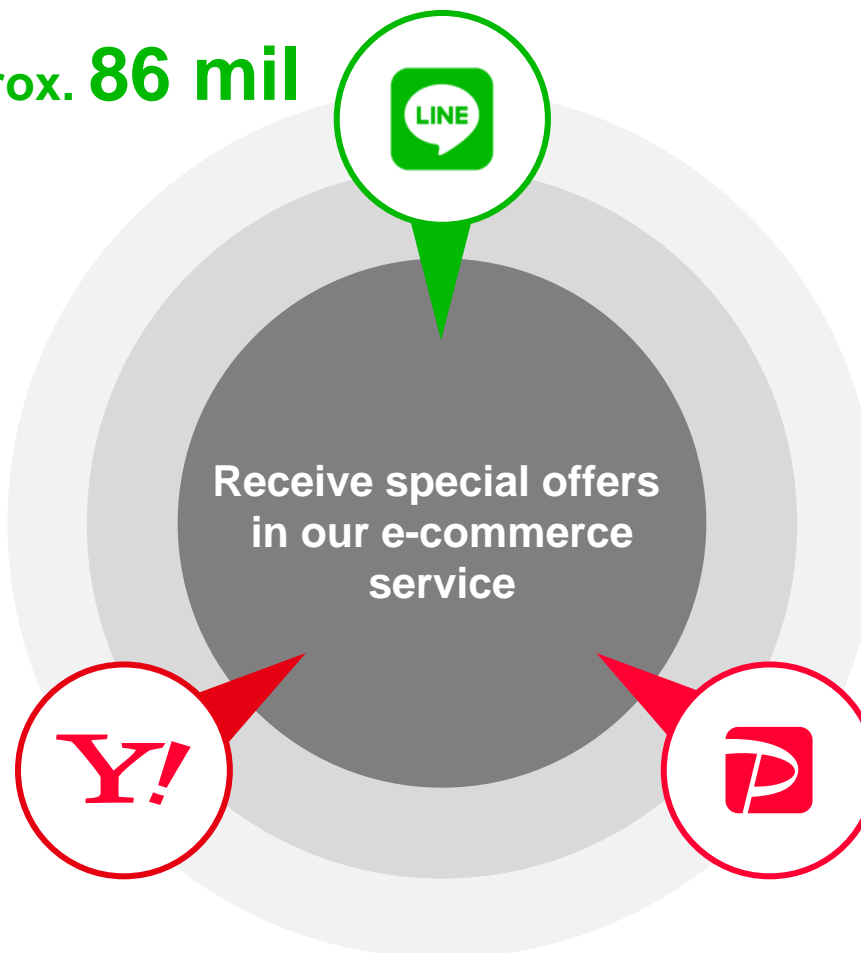
No.1 marketing

Aim to become No. 1 in EC (merchandise) transaction value in Japan by early 2020's

Expanding the ecosystem by encouraging mutual use of services from three sources of actions

No. of monthly users approx. **86 mil**

No. of monthly users
approx. **67 mil***



Cumulative registered users
approx. **36 mil**

Popularize new purchase experience using LINE, develop into future growth driver of transaction value

Smart Store Project

To be launched in CY2021 H1

Provide total EC solutions to major companies & SMEs, and develop EC market in own domain

Construction/operation of EC website

- ▶ Free store opening /registration/management
- ▶ Intuitive/simple store construction

Customer service function

- ▶ Link with LINE official account
- ▶ Notification & inquiry response

Analysis function

- ▶ Provide own analysis tool

Traffic referral within group

- ▶ Link with Yahoo! JAPAN Shopping, PayPay Mall, etc.

Team purchase



Shopping at low cost through team purchase among friends, group

Social gift



Gifts for b-days, seasonal events using LINE's social graph

Live commerce



Product introduction by influencers using LINE's live distribution system

New measures merging online & offline worlds

Over the counter pick-up

Link with inventories at physical stores
Provide multiple options for purchase & pick up

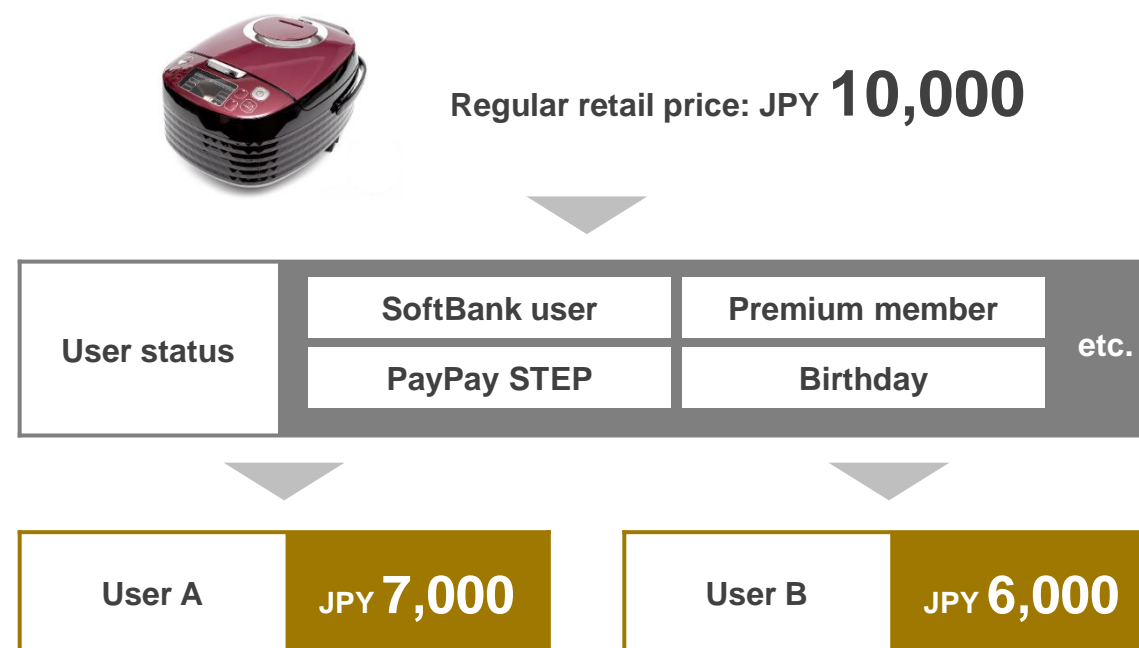


- Order online, home delivery
- Reserve and pick up at physical store
- Home delivery from nearby physical store

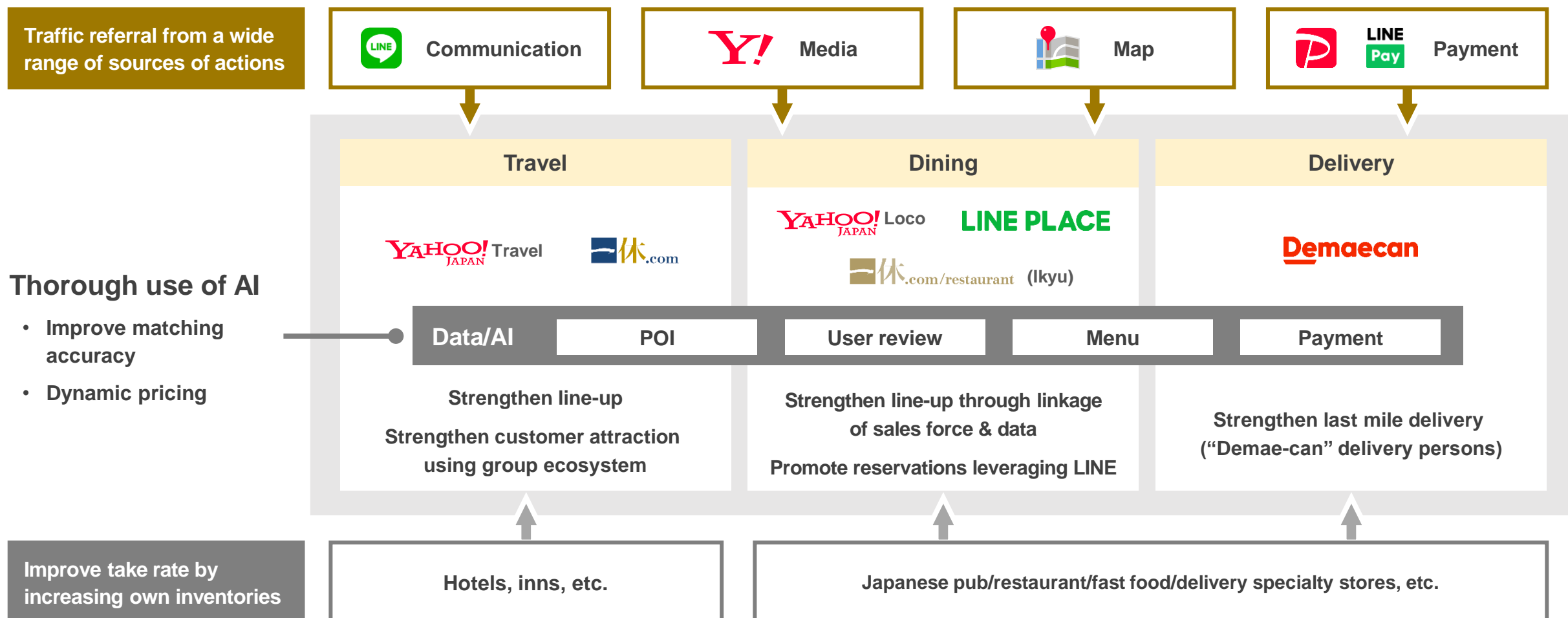
※Illustrative purpose only

My Price Initiative

Regardless of online/offline purchase, retail price fluctuates according to user status



Popularize new purchase experience using LINE, develop into future growth driver of transaction value



Aim to maximize transaction value in both online & offline domains while refining fundamental value

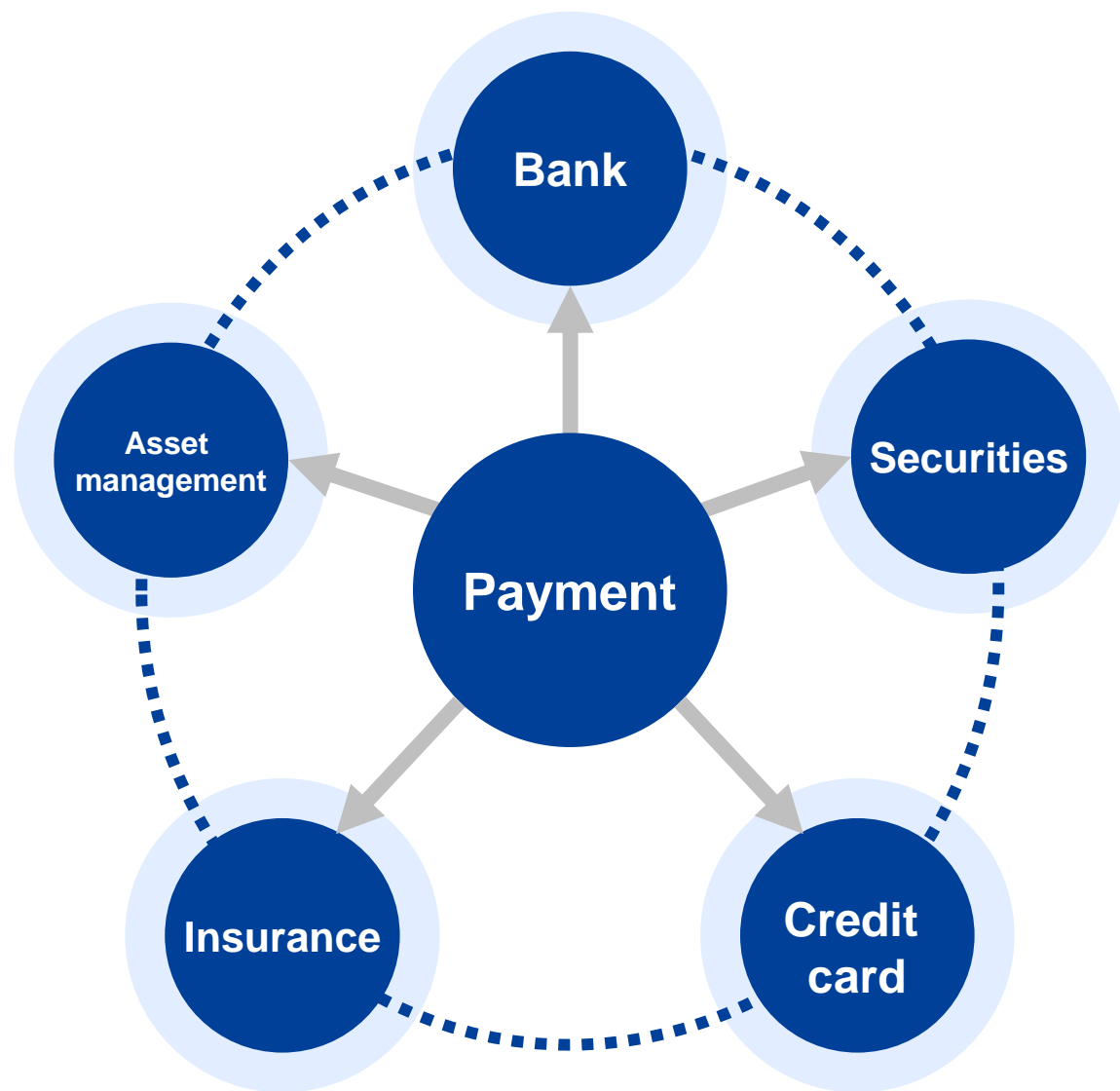
Management index/Major KPI

- **Aim to become No. 1 in EC (merchandise) transaction value in Japan**
- **Strengthen customer attraction and social commerce using LINE; our new growth driver**

Major strategic investment

- **Execute strategic investments to expand customer base, increase loyal customers and strengthen logistics**

Strategic Business



**Create “new” market
around Fintech**

**To monetize, expand financial
services from “Payment”**

Integrate domestic QR/bar code payments to PayPay*1

Continue to aim to grow LINE Pay in major Asian countries



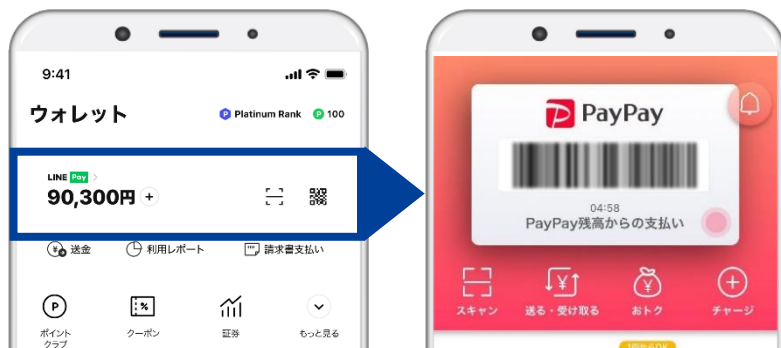
Cumulative registered users in Japan
approx. **36 mil***2



Cumulative international registered users
approx. **17 mil***2

Domestic

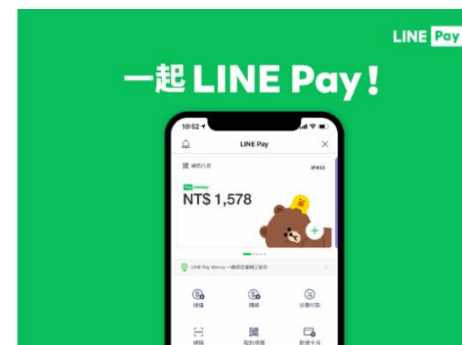
Began discussions to integrate PayPay & LINE Pay to PayPay (target: April 2022)*1



Enable use of
PayPay
from LINE Wallet

International

Continue providing LINE Pay services
Aim to grow in major Asian countries



Already enjoys strong reach in major
Asian countries (esp. Taiwan)

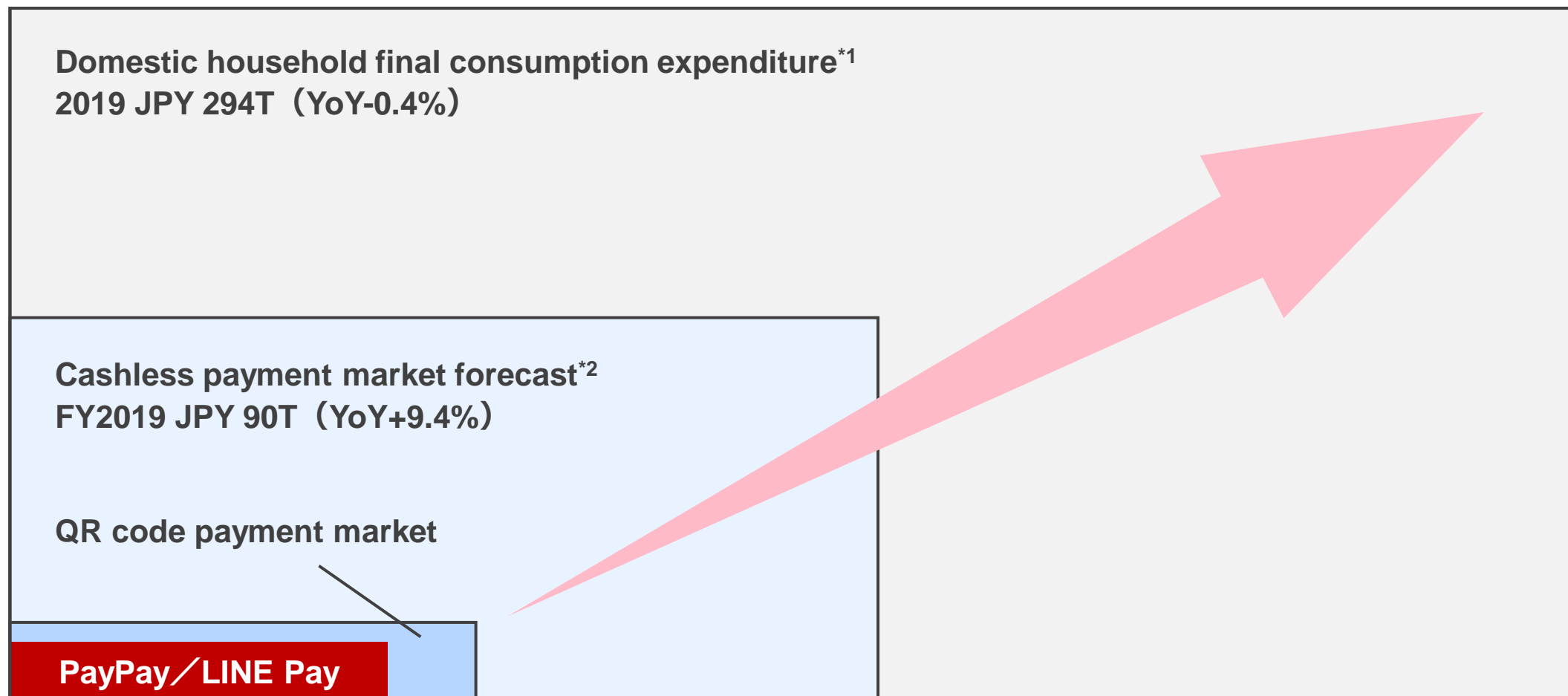
From late April, 2021

LINE Pay will be able to use PayPay QR code payment

*1 Subject to completion of necessary procedures, including relevant registrations and approvals.

*2 As of February 28, 2021

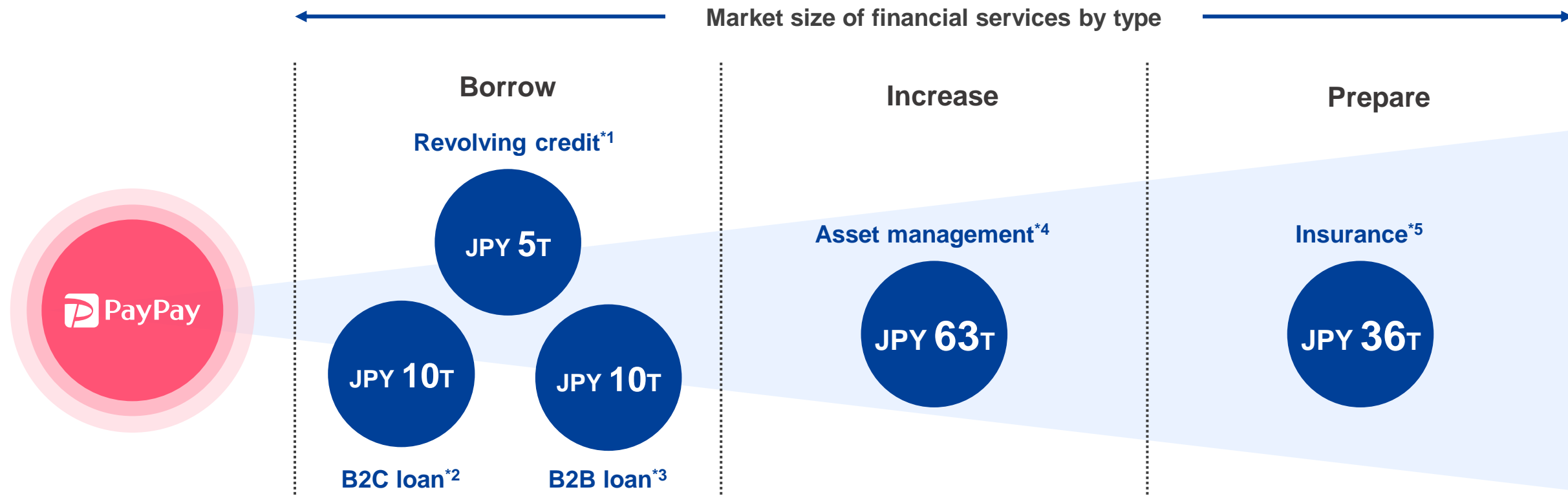
Strongly lead the enlargement of cashless market and expand TAM



*1 Cabinet Office

*2 Yano Research Institute Ltd. "Domestic Cashless Payment Market 2019"

Use PayPay as a foothold to develop financial services market



*1 JAPAN CONSUMER CREDIT ASSOCIATION “Credit Statistics of Japan (2019)”: “Payment exceeding two months in credit card shopping”

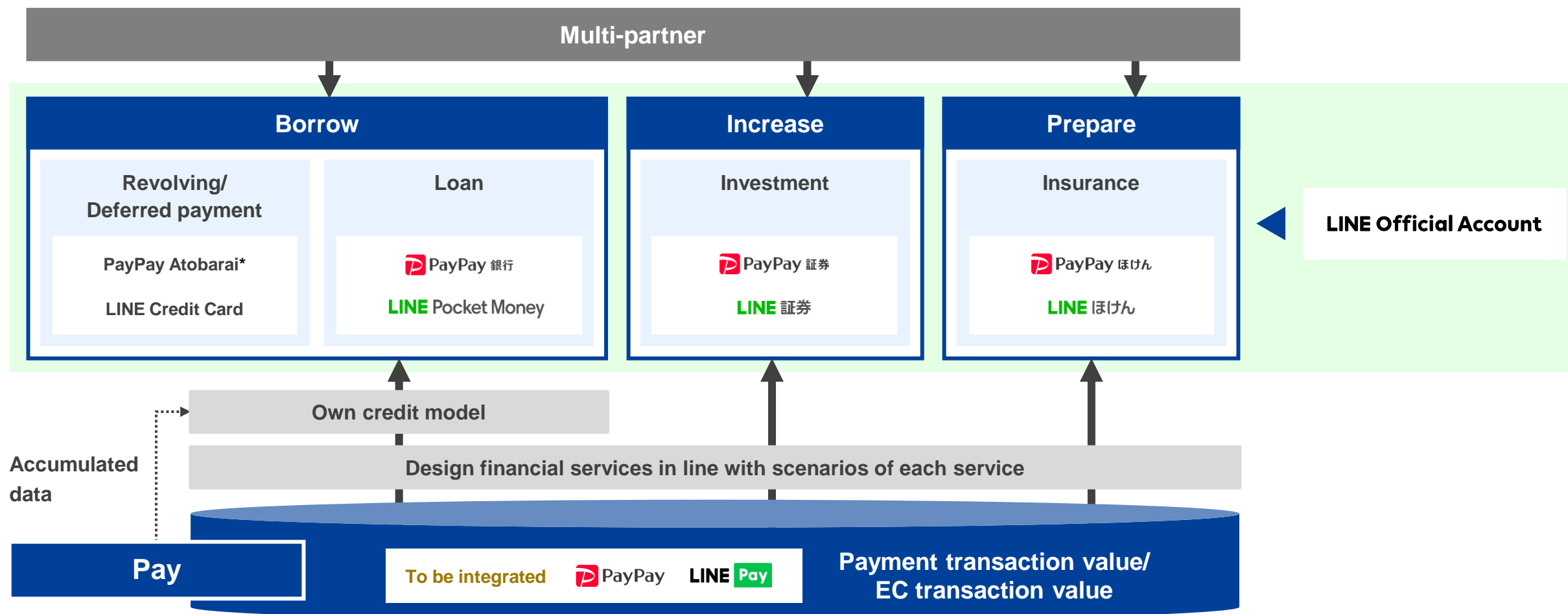
*2 Sum of consumer/unsecured loan balance (JPY 4.3T) (monthly status survey by Japan Financial Services Association) and bank card loan balance (JPY 5.7T) (follow-up survey results on bank card loans, by Financial Services Agency)

*3 Estimate from: 1) JPY 7.7T loan to retailer/dining, out of loans by banks & shinkin banks towards SMEs (working capital excluding loans for equipment) (Bank of Japan statistics), and 2) JPY 4.6T non-bank/card loan to businesses (excluding collateral loans) (Japan Financial Services Association)

*4 Bank of Japan “Flow of Funds”: Amount of “Investment trust beneficiary certificates” out of “Financial assets held by households”

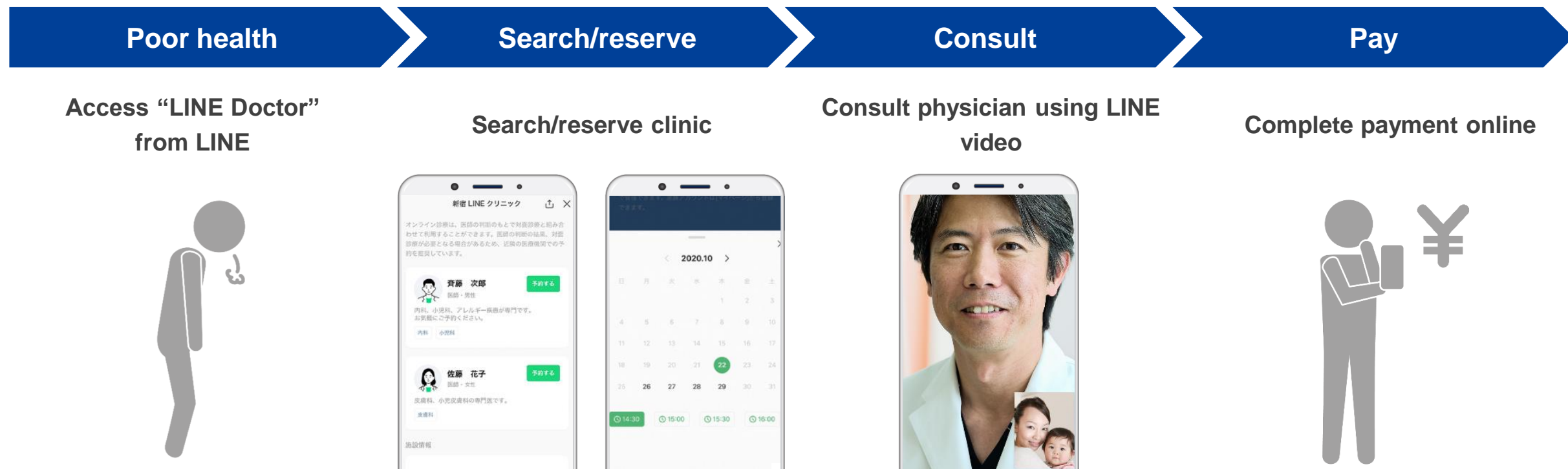
*5 The Life Insurance Association of Japan “Life Insurance Fact Book”: Total annualized premium of new policies and policies in force of individual insurance and individual annuity insurance + The General Insurance Association of Japan “[Statistics by Line](#)”: FY2019 total net premiums written

Expand various financial services using payment transaction value of PayPay, etc. as a base



* Atobarai: Deferred payment

Whole procedure from searching & reserving clinics to consultation & payment completed online*



※Illustrative purpose only

Within FY2021

- Launch online medication guidance
- Aim to be No. 1 in providing online consultation “LINE Doctor” in Japan

* To conduct online consultation, both physicians and patients need to conduct various procedures (incl. identity verification) following the Guidelines for the Appropriate Use of Online Medical Services, stipulated by the Ministry of Health, Labour and Welfare

Become the third/forth revenue pillars following Media and Commerce

Management index/Major KPI

- Revenue growth of over YoY+20% as a target
- Aim for a size of JPY 100B in adjusted EBITDA in future years

Major strategic investment

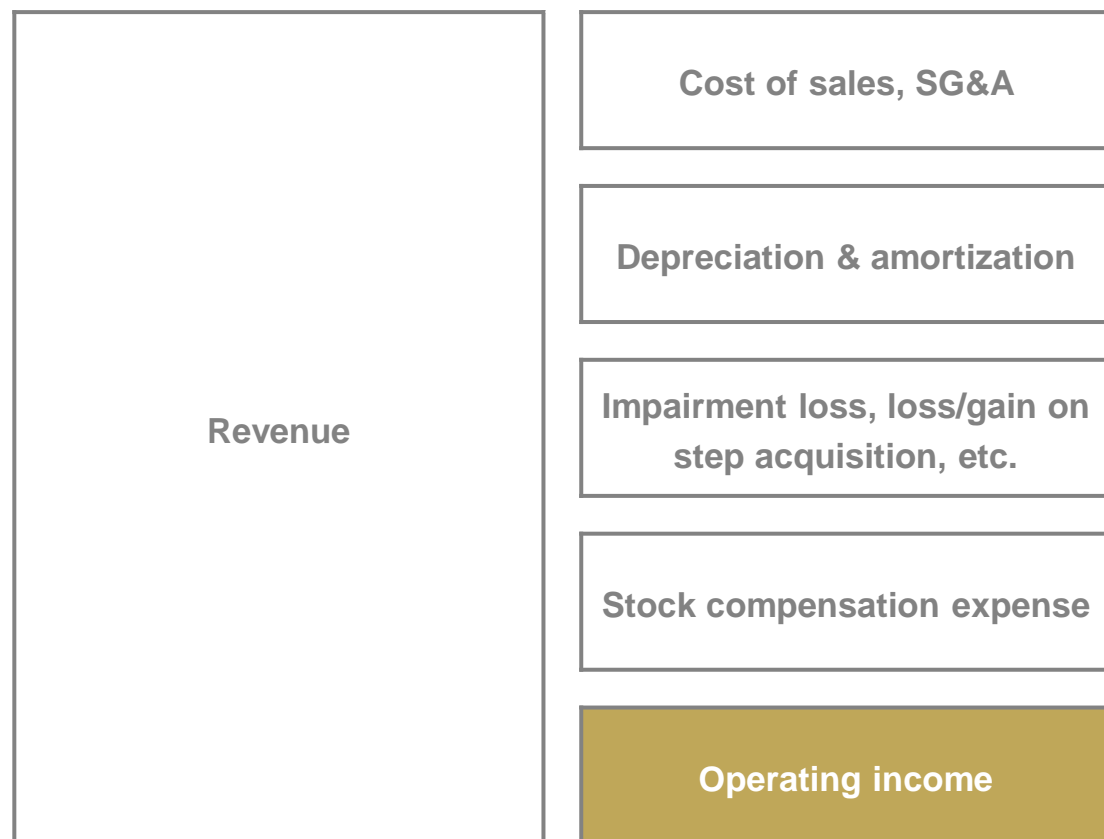
- Investments to increase the use of new financial services and product development, etc.

Medium-term Management Index/Financial Strategy

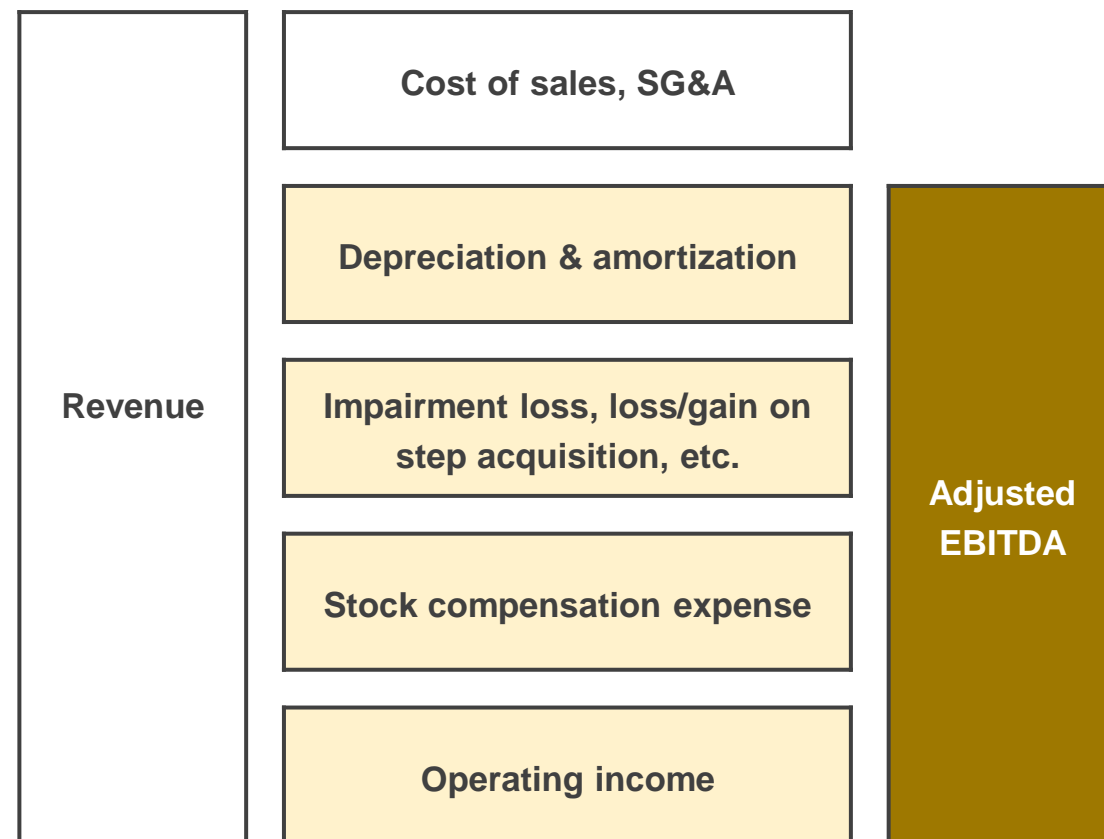
Changes in management index

To eliminate accounting effects and to shift to an evaluation that reflects strategic investment effects,
base management index on EBITDA instead of op. income

Until FY2020



From FY2021~



Medium-term management index

While making bold strategic investments, aim to achieve existing mid-term target (op. income), and
newly set a mid-long topline growth target

Management index

- **FY2023 Adjusted EBITDA: JPY 390B** (equivalent to op. income: JPY 225B)
- **FY2023 Revenue: JPY 2T**

Group-wide strategic investment & financial discipline

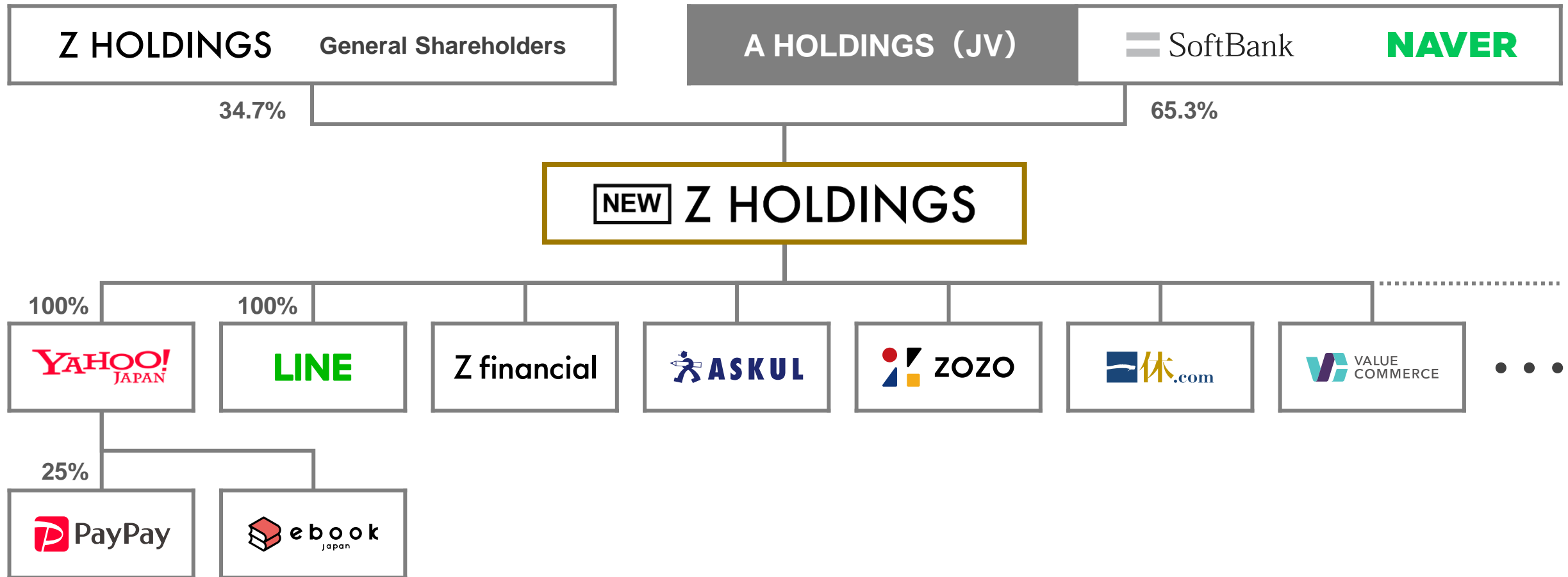
- **JPY 500B strategic investments in 5 years**
(allocated from cash flows from operating activities)
- **Appropriate financial leverage conscious of maintaining credit rating**
 - ▶ **Maintain net leverage ratio* 2.5 - 3X**
 - ▶ **Maintain credit rating R&I: A+ /JCR:AA-**

* Excludes banking (Net leverage ratio = Net interest-bearing debt/Adjusted EBITDA)

3. Group Management Structure

Group structure

**Consolidate group management functions under ZHD,
while business operations will be executed by each company**



* PayPay Corporation is a company accounted for using the equity method under ZHD. Shareholding ratio of PayPay Corporation: SoftBank Group Corp.: SoftBak Corp.: Yahoo Japan Corp. = 50:25:25 (excludes investment through preferred stock)

New management structure (including outside directors)

Management team that will strongly drive this business integration



President and Representative Director
Co-CEO
Kentaro Kawabe



New appointment

Accelerate synergy creation
Representative Director
Co-CEO
Takeshi Idezawa



New appointment

Lead product strategies
Director
Group Chief Product Officer
Jungho Shin



Director
Senior Managing Corporate Officer
Takao Ozawa

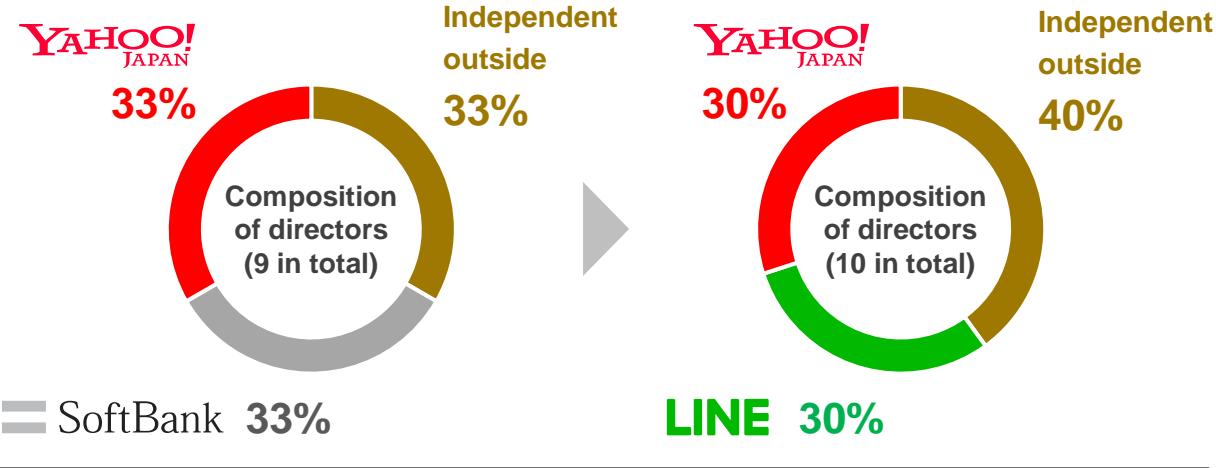


New appointment

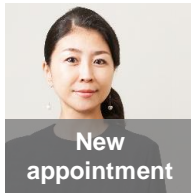
Drive various business growth & enhance brand value
Director
Senior Managing Corporate Officer
Jun Masuda



Director
Senior Managing Corporate Officer
Group Chief Synergy Officer
Taku Oketani



Independent Outside Director,
Full-time Audit and Supervisory Committee Member
Yoshio Usumi



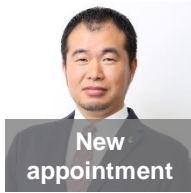
New appointment

Independent Outside Director,
Audit and Supervisory Committee Member
Maiko Hasumi



New appointment

Independent Outside Director,
Audit and Supervisory Committee Member
Tadashi Kunihiro



New appointment

Independent Outside Director,
Audit and Supervisory Committee Member
Rehito Hatoyama

External ESG evaluations

Aim to maintain/enhance a high third-party evaluation after integration, to secure our position as the industry-leading ESG issuer

Member of

Dow Jones
Sustainability Indices

Powered by the S&P Global CSA

S&P Global - DJSI

Interactive Media, Services &
Home Entertainment sector

Selected as an Industry Leader

MSCI

ESG RATINGS

CCC

B

BB

BBB

A

AA

AAA

AA

MSCI ESG Rating*

Score rising
every year since 2018

Received AA rating

Received the highest evaluation in the following categories:

Governance & Economic Dimension	Information Security/Cybersecurity & System Availability
Environmental Dimension	Environmental Reporting
Social Dimension	Corporate Citizenship and Philanthropy

Four areas of material importance

Privacy & Data Security	Human Capital Development
Carbon Emission	Governance

* As of 2021, Z Holdings Corporation received an MSCI ESG Rating of AA. THE USE BY Z Holdings Corporation OF ANY MSCI ESG RESEARCH LLC OR ITS AFFILIATES (“MSCI”) DATA, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT, RECOMMENDATION, OR PROMOTION OF Z Holdings Corporation BY MSCI. MSCI SERVICES AND DATA ARE THE PROPERTY OF MSCI OR ITS INFORMATION PROVIDERS, AND ARE PROVIDED ‘AS-IS’ AND WITHOUT WARRANTY. MSCI NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI.

Efforts to solve climate change and social issues

Leveraging technology to solve environmental & social issues

Climate change

Aim to achieve neutrality well ahead of Japanese government's "2050 Carbon Neutral" goal

Pursue early membership in RE100 renewable energy initiative*1

ZHD Group to announce mid-long environmental goals by the end of FY2021

Public service DX

Enrich comprehensive and easy-to-understand info on administrative procedures

Enable administrative procedures to be done online by linking with the Cabinet Office's "Mynaportal"² service



Disaster prevention & mitigation

Provide suitable info to each person, from normal times to times of recovery

Become the "world's best prepared country for disaster" leveraging the strengths as an online media

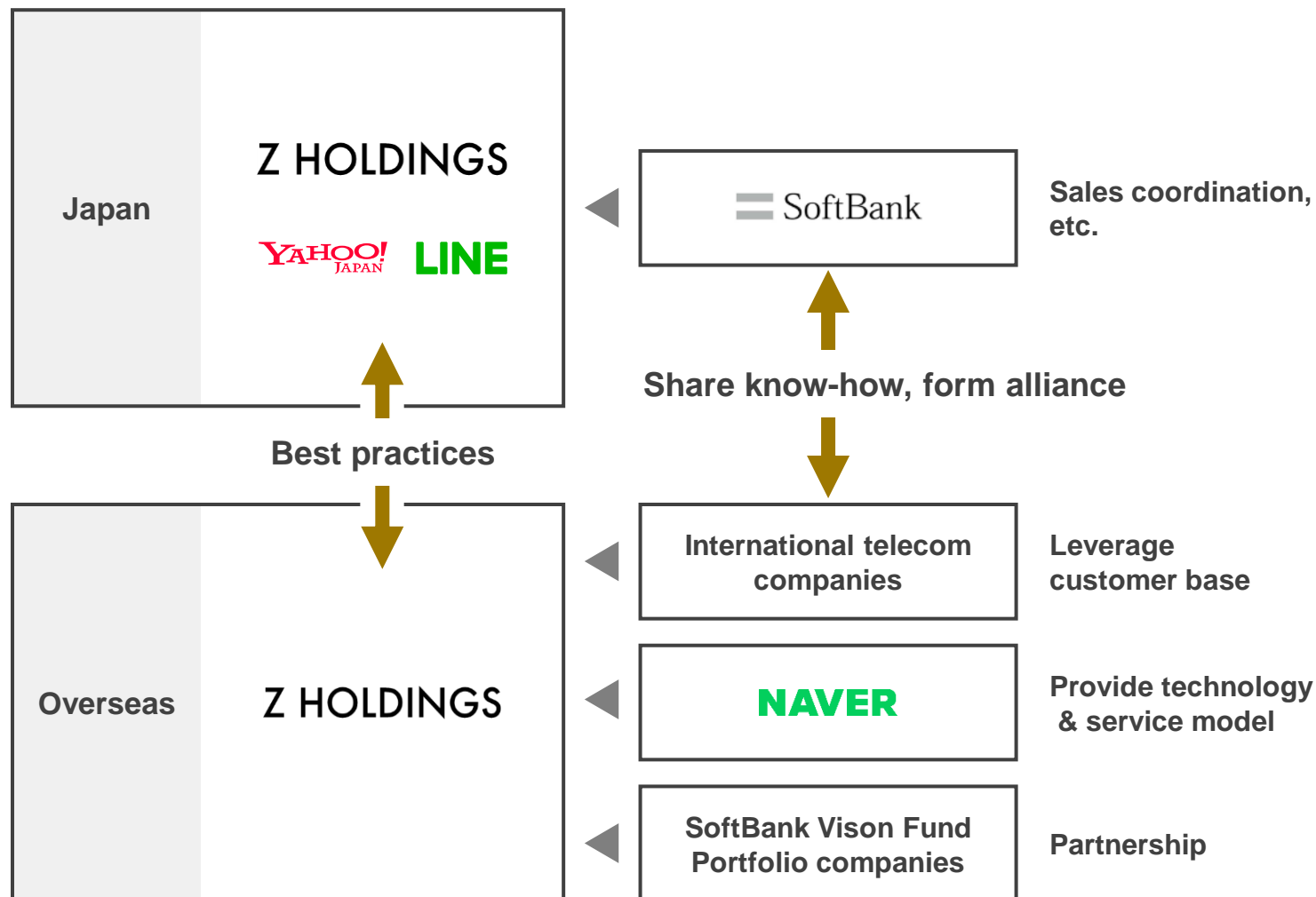


※Illustrative purpose only




*1 Global initiative that promotes 100% renewable energy in corporate activities.

*2 Japanese government-operated, online one-stop service for administrative procedures such as childcare and nursing care, and for checking notices from government agencies.

AI tech company that leads the world from Japan and Asia



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Execute JPY 500B investments in 5 years mainly in Data × AI
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Appropriate financial discipline, and experienced management team & independent outside directors

Z HOLDINGS

**Unleashing the infinite potential of all people,
with the power of information technology**