

# LY Corporation Business Results

## FY2023 Full Year & Q4

May 8, 2024

Security Code: 4689

**LINEヤフー**

## FY2023 Full-Year Business Results - Topics

- **Adjusted EBITDA amounted to JPY414.9 B (YoY +24.7%) due to improved profitability and revenue to JPY1.8146 T (YoY +8.5%).**
- **Both set new records for the fourth consecutive fiscal year.**

### Consolidated Results and Topics

- For FY2023, full year adjusted EBITDA of the Strategic Business achieved profitability for the first time as a result of PayPay's growth.
- FY2024 guidance: revenue JPY1.93 T (approx. YoY +7%); adjusted EBITDA JPY430.0–440.0 B (YoY +3.6–6.0%).
- In addition to LYP Premium and revamping of LINE, will also revamp the Yahoo! JAPAN app to accelerate top-line growth.

### Security Governance

- The consignment relationship with NAVER Corporation will be gradually terminated.
- The majority of members on the BoD will be independent outside directors to separate management and business execution functions.

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**3 FY2024 Policies**

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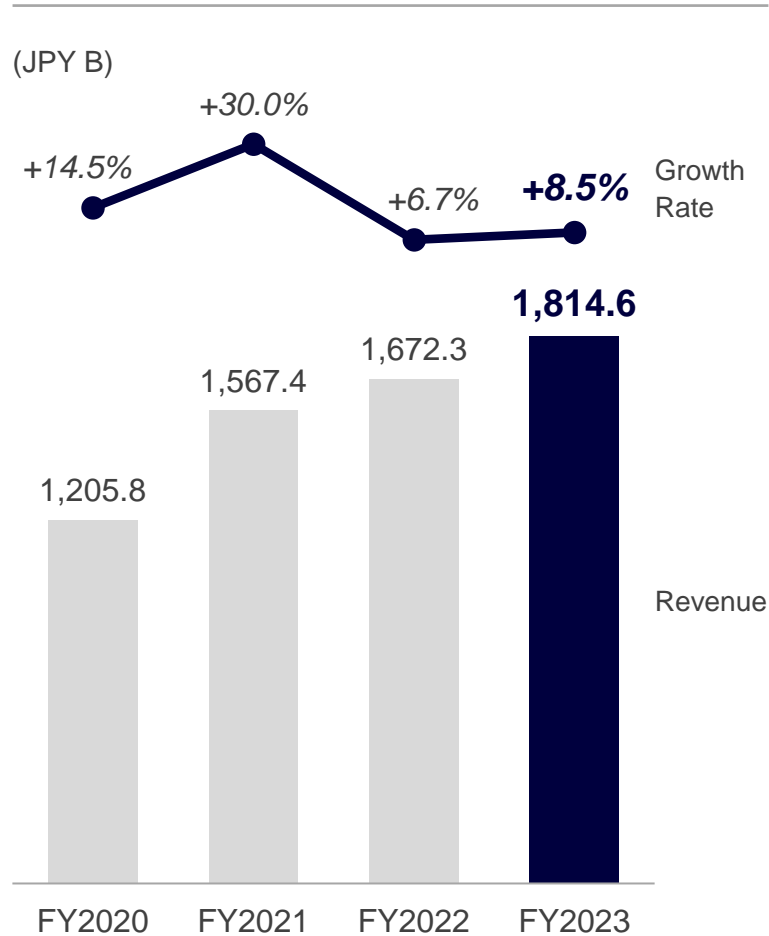
**1 Consolidated Business Results – Entire Group**

2 Business Results/Topics – By Segment

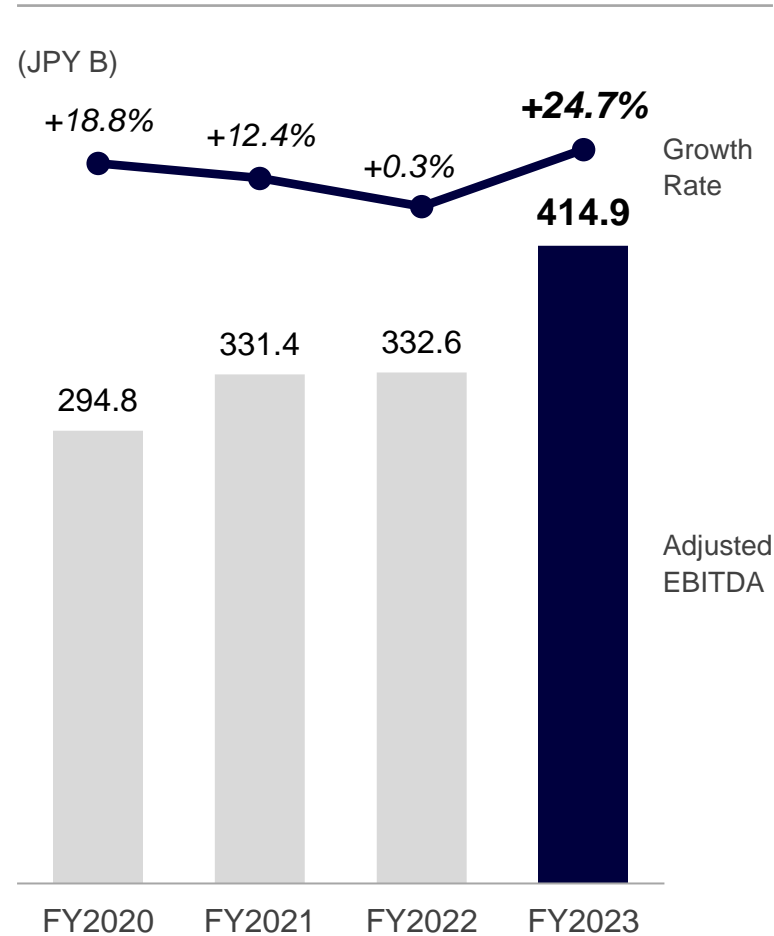
3 FY2024 Policies

- PayPay (Consolidated) drove revenue growth. YoY income growth exceeded 20% as a result of cost optimization and selective focus on key business areas.

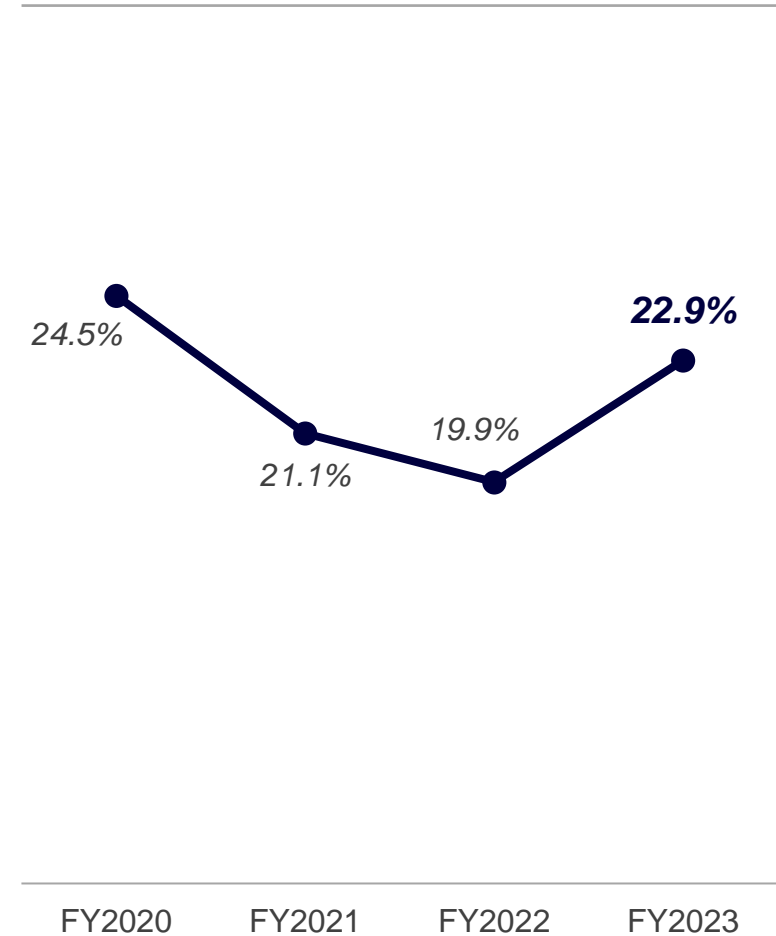
Revenue/YoY Growth Rate



Adjusted EBITDA/YoY Growth Rate



Adjusted EBITDA Margin



## Factors Behind Change in Adjusted EBITDA

- Improvements in LY Corporation's gross profit and SG&A contributed to the profit increase.

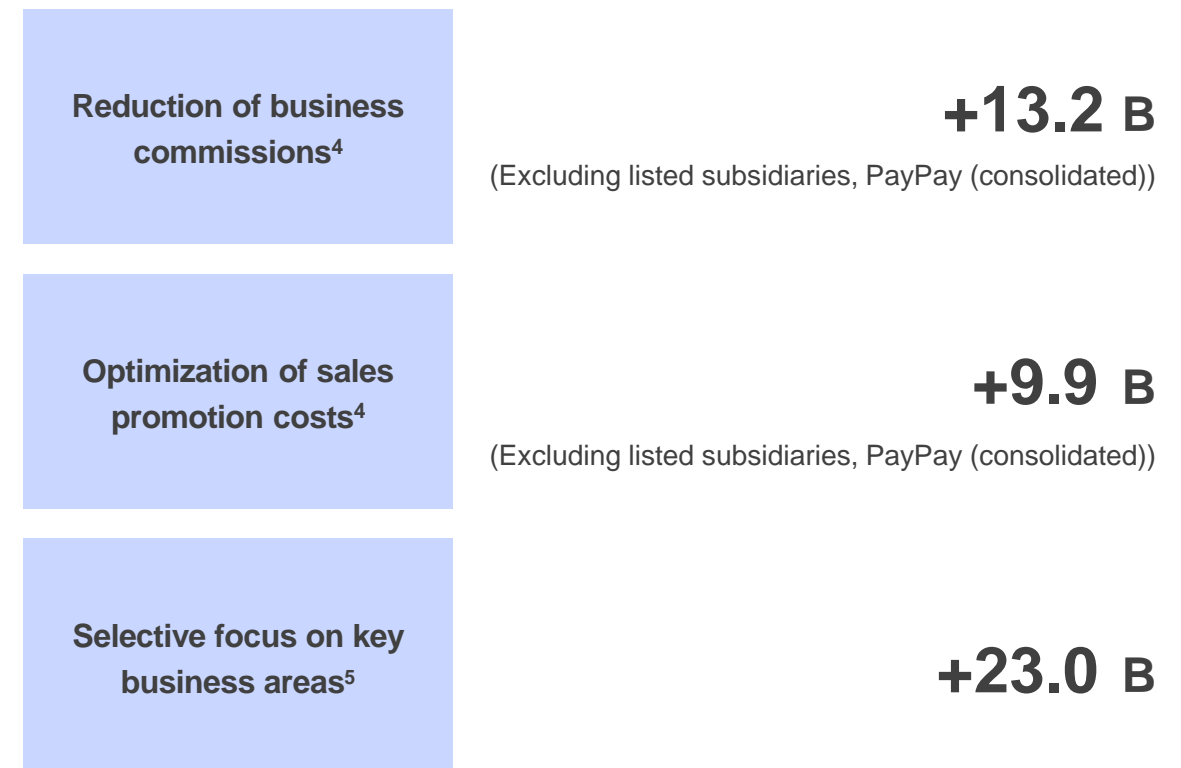
Factors Behind Change in Adjusted EBITDA

(JPY B)



Improvements in FY2023 (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.

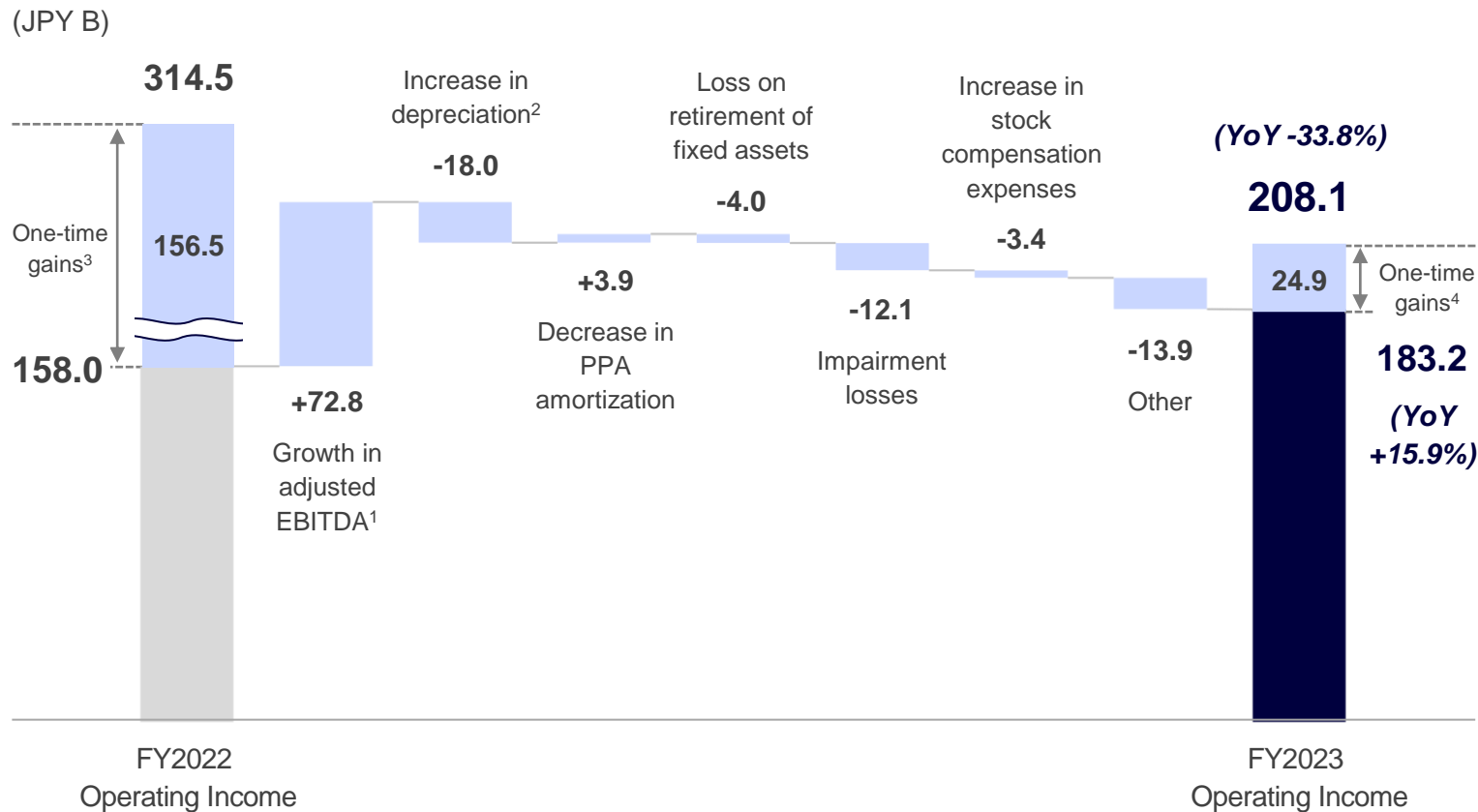
3. Includes PayPay Corporation and PayPay Card Corporation. Figures are shown after the elimination of internal transactions between the two companies and have been independently calculated following relevant IFRS adjustments.

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

- Operating income increased by more than YoY +15% (excluding one-time gains), similar to the adjusted EBITDA.



(JPY B)	FY2022	FY2023	YoY
Adjusted EBITDA <sup>1</sup>	332.6	405.4 <sup>5</sup>	+72.8
Depreciation <sup>2</sup>	114.2	132.2	+18.0
PPA amortization	34.5	30.6	-3.9
Loss on retirement of fixed assets	3.7	7.8	+4.0
Impairment losses	3.0	15.1	+12.1
Stock compensation expenses	15.7	19.1	+3.4
Other	3.2	17.1	+13.9
Operating income	314.5	208.1	-106.3
Operating income (excluding one-time gains) <sup>2,3</sup>	158.0	183.2	+25.2

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.

3. Gain on remeasurement relating to business combinations due to consolidation of PayPay Corporation: JPY147.3 billion; gain on remeasurement relating to business combinations due to consolidation of LINE MUSIC CORPORATION: JPY9.1 billion

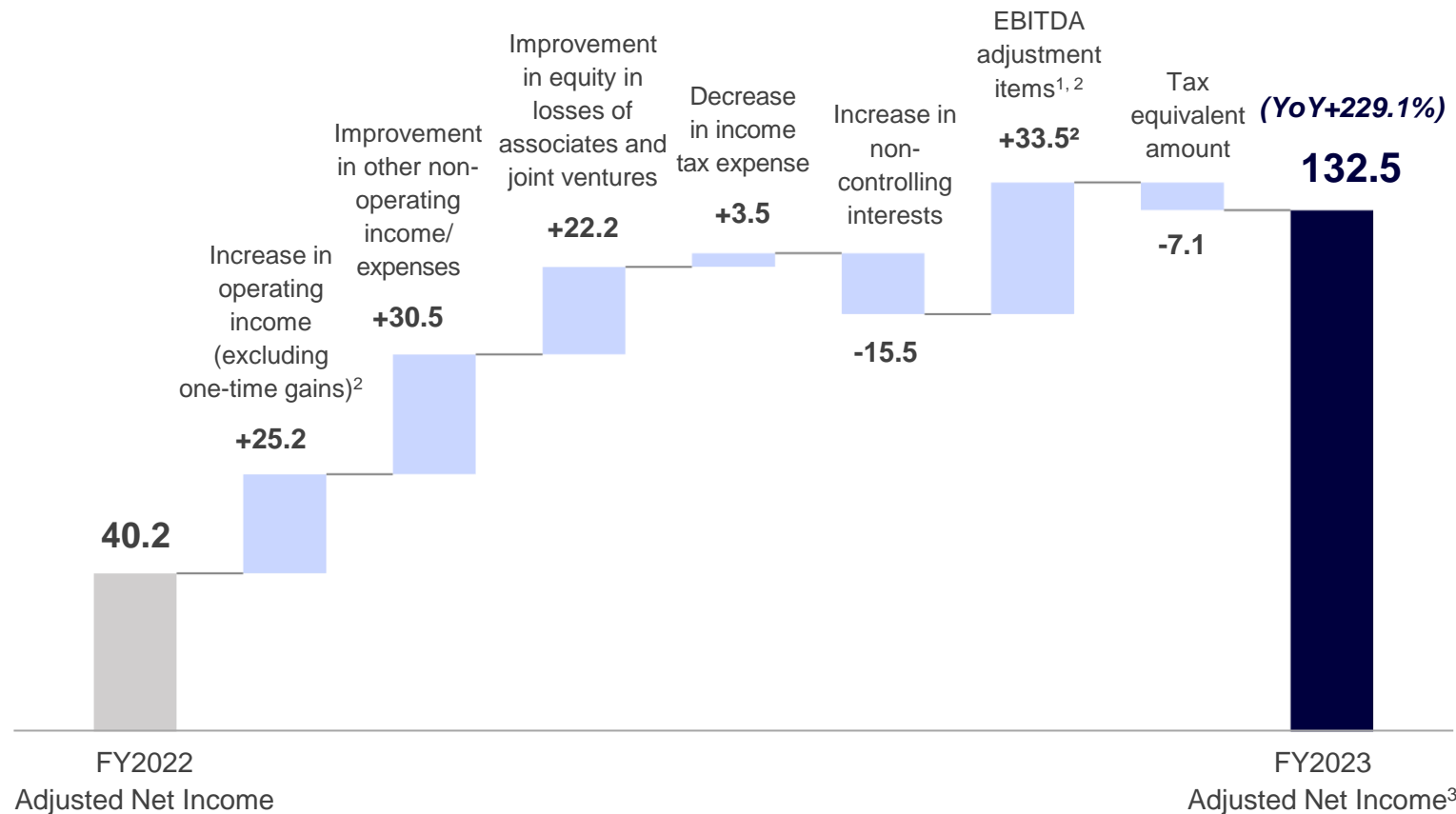
4. Gain on transfer from business divestiture resulting from the transfer of AI Company business operated by LINE Corporation: JPY10.4 billion; gain on loss of control of subsidiary due to the change in equity ratio of JDW Co., Ltd.: JPY4.0 billion; gain on loss of control of yutori, Inc.: JPY1.0 billion; ASKUL Corporation's compensation for damages: JPY9.4 billion.

5. Excludes ASKUL Corporation's compensation for damages: JPY9.4 billion.

## Factors Behind Change in Adjusted Net Income

- Adjusted net income grew by approximately 3.3 times YoY as a result of an increase in operating income and other factors.

(JPY B)



(JPY B)

	FY2022	FY2023	YoY
Operating income	314.5	208.1	-106.3
Operating income (excluding one-time gains) <sup>2</sup>	158.0	183.2	+25.2
Other non-operating income/expenses	-40.5	-10.0	+30.5
Equity in losses of associates and joint ventures	-38.7	-16.4	+22.2
Income tax expense	46.0	42.5	-3.5
Non-controlling interests	10.2	25.8	+15.5
<b>Net income attributable to owners of the parent (excluding one-time gains)<sup>2</sup></b>	<b>22.3</b>	<b>88.2</b>	<b>+65.8</b>
EBITDA adjustment items <sup>1, 2</sup>	25.8	59.3	+33.5
Tax equivalent amount	7.9	15.0	+7.1
<b>Adjusted net income</b>	<b>40.2</b>	<b>132.5<sup>3</sup></b>	<b>+92.2</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.
- Excluding one-time gains for FY2022 and FY2023 (FY2022: Gain on remeasurement relating to business combinations due to consolidation of PayPay Corporation: JPY147.3 billion; gain on remeasurement relating to business combinations due to consolidation of LINE MUSIC CORPORATION: JPY9.1 billion. FY2023: Gain on transfer from business divestiture resulting from the transfer of AI Company business operated by LINE Corporation: JPY10.4 billion; gain on loss of control of subsidiary due to the change in equity ratio of JDW Co., Ltd.: JPY4.0 billion; gain on loss of control of yutori, Inc.: JPY1.0 billion; ASKUL Corporation's compensation for damages: JPY9.4 billion.)
- Excludes ASKUL Corporation's compensation for damages: JPY9.4 billion.



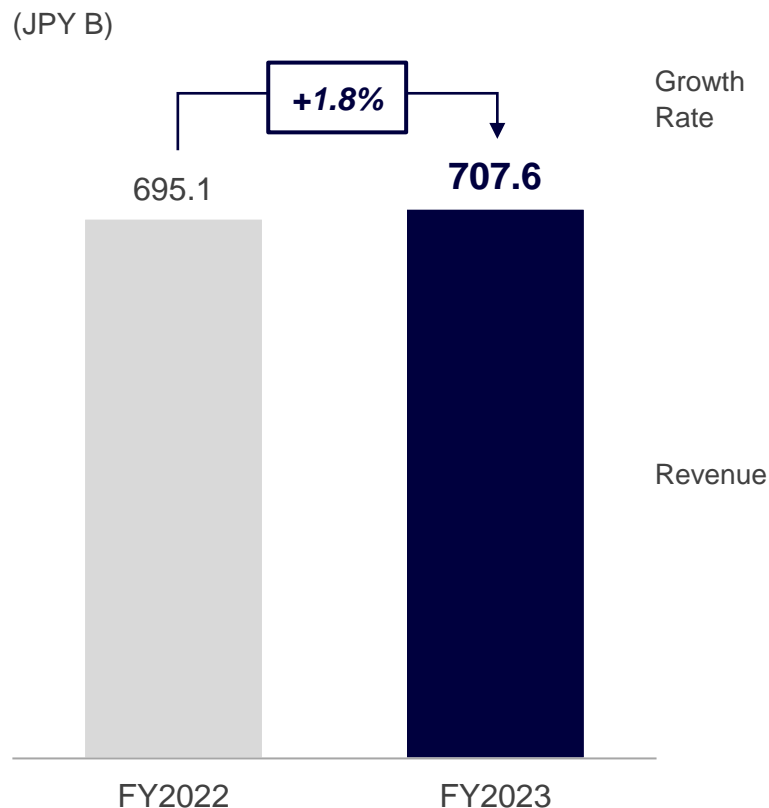
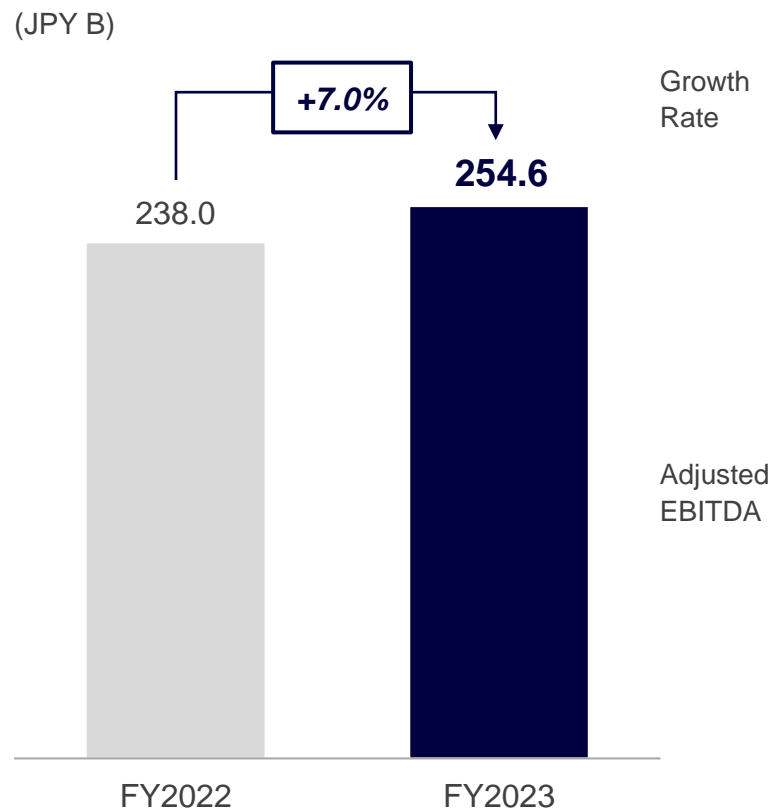
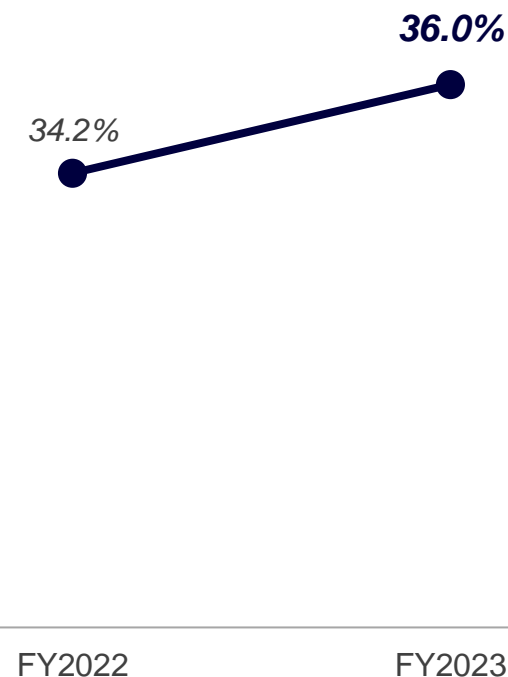
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**2** Business Results/Topics – By Segment

**3** FY2024 Policies

- Revenue increased with growth of account ads, and margin improved to exceed 35%.

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>

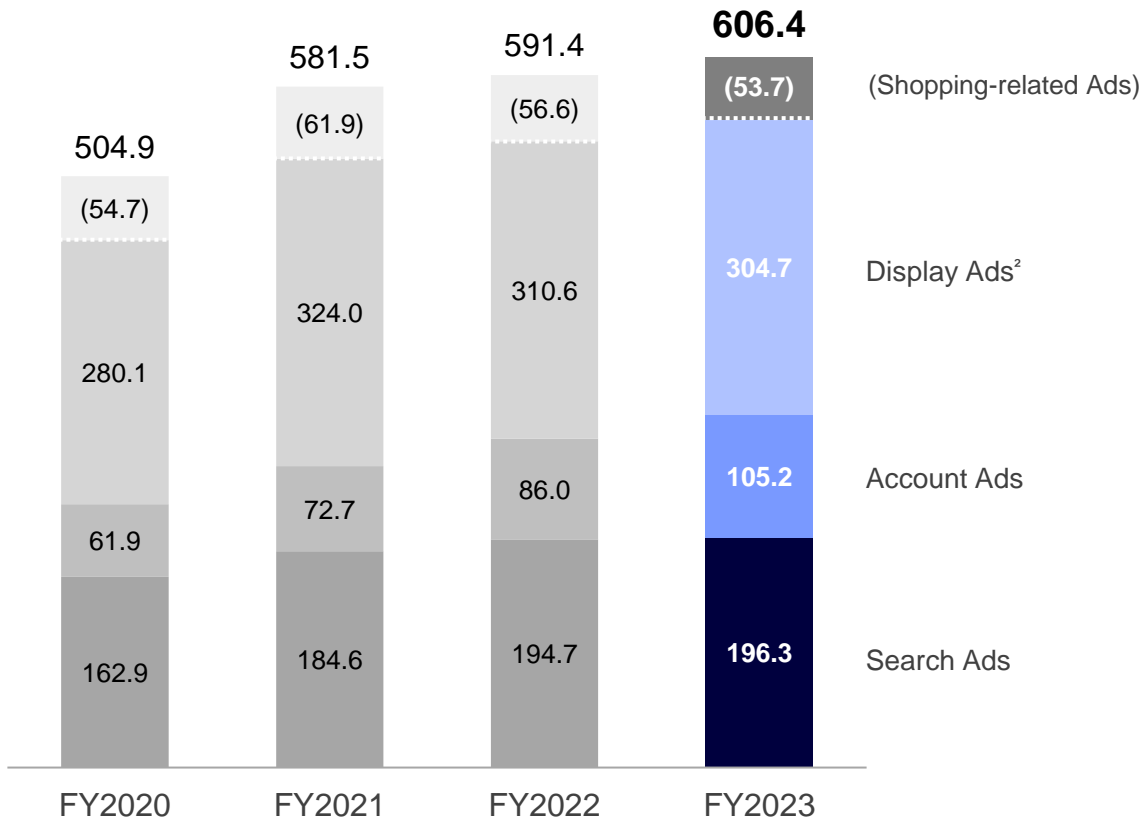
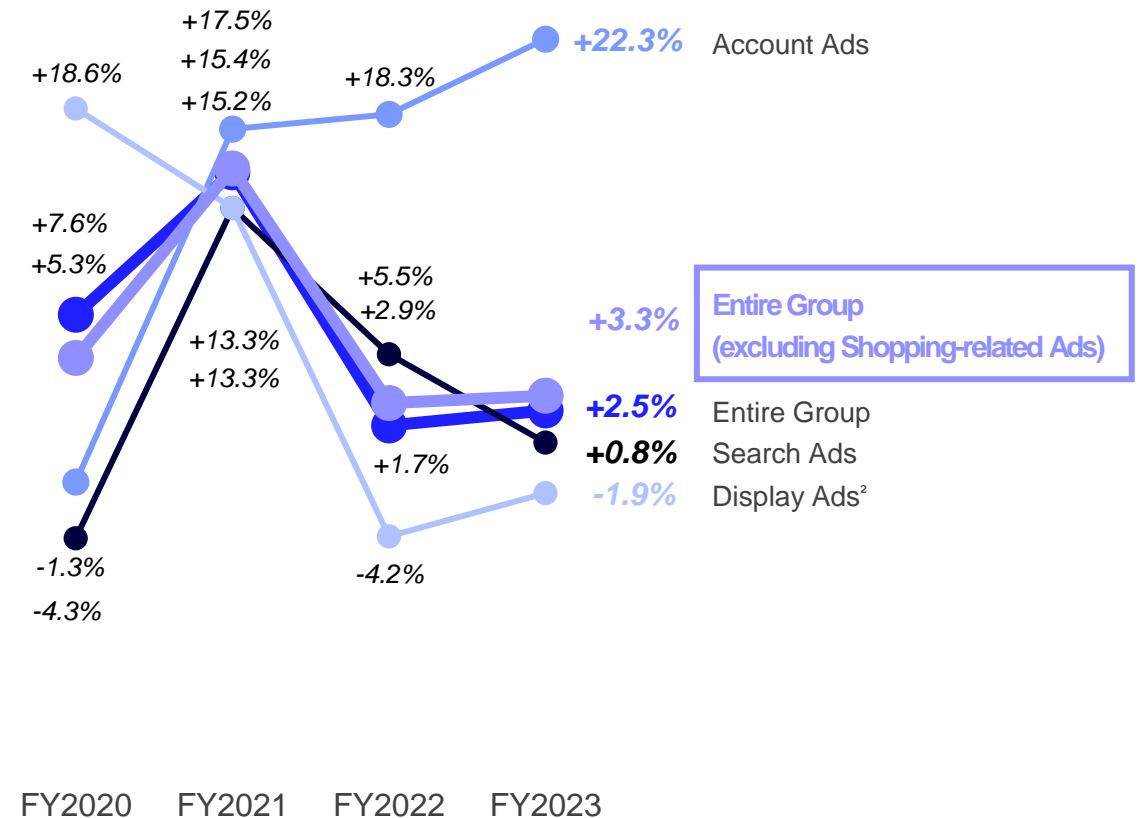
- From FY2023 Q1, Yahoo Japan Corporation's data solution service and dely Inc.'s service were transferred from Other to Media Business. In addition, part of the expenses related to LINE Corporation and its subsidiaries, which were previously allocated to Other and Adjustments, have been allocated to 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

- Growth in account ads (YoY +22.3%) drove revenue growth for the entire Group. Gradual recovery in market conditions continues.

Entire Group – Total Advertising Revenue<sup>1</sup>

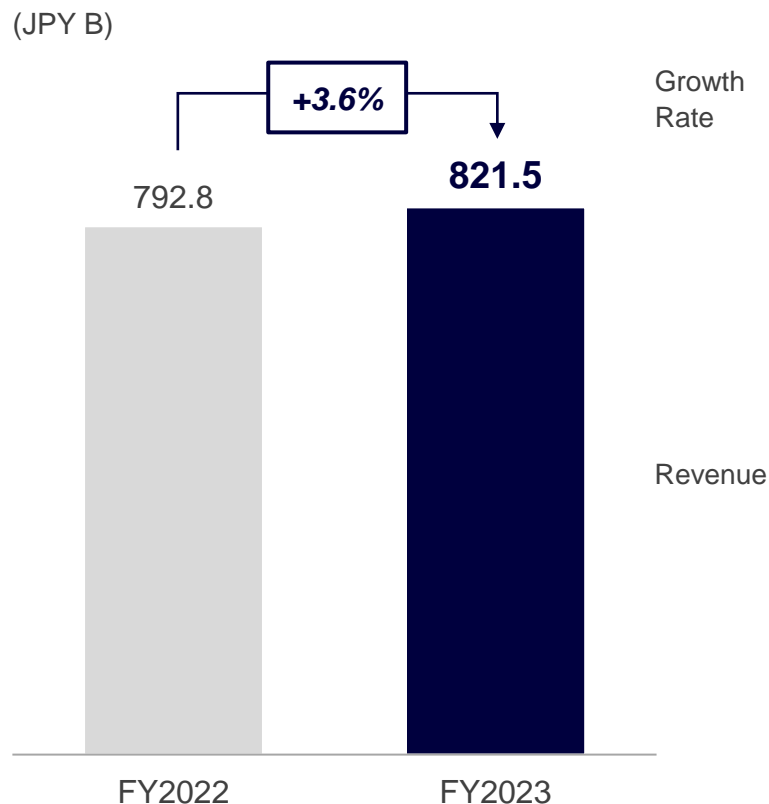
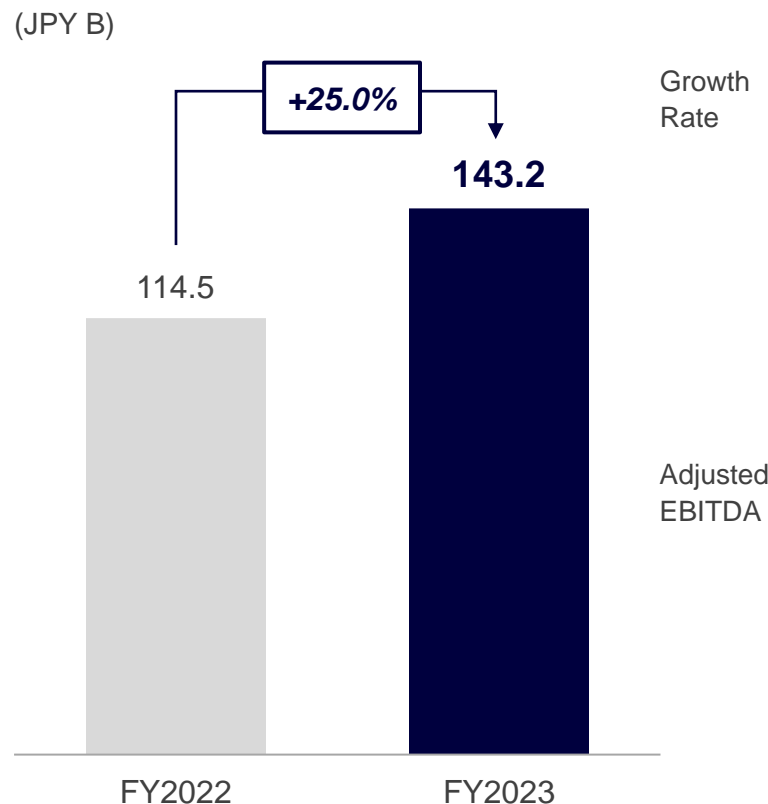
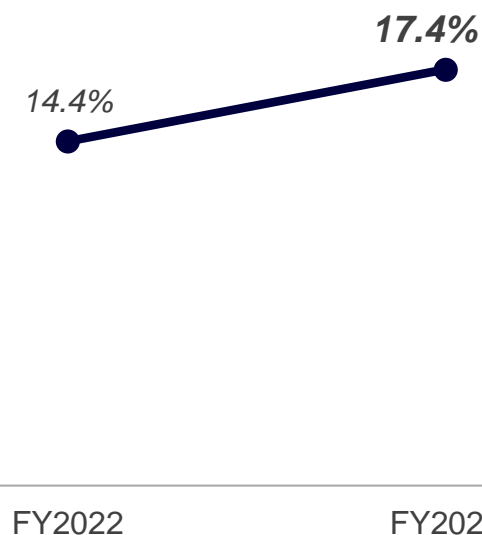
(JPY B)

Entire Group – Total Advertising Revenue YoY Growth Rate<sup>1</sup>

1. Total advertising revenue of LINE Corporation was added to calculate growth rates due to business integration between Z Holdings Corporation and LINE Corporation in FY2020 Q4.

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

- Revenue and profit increased as a result of a recovery in domestic merchandise transaction value and cost optimization.

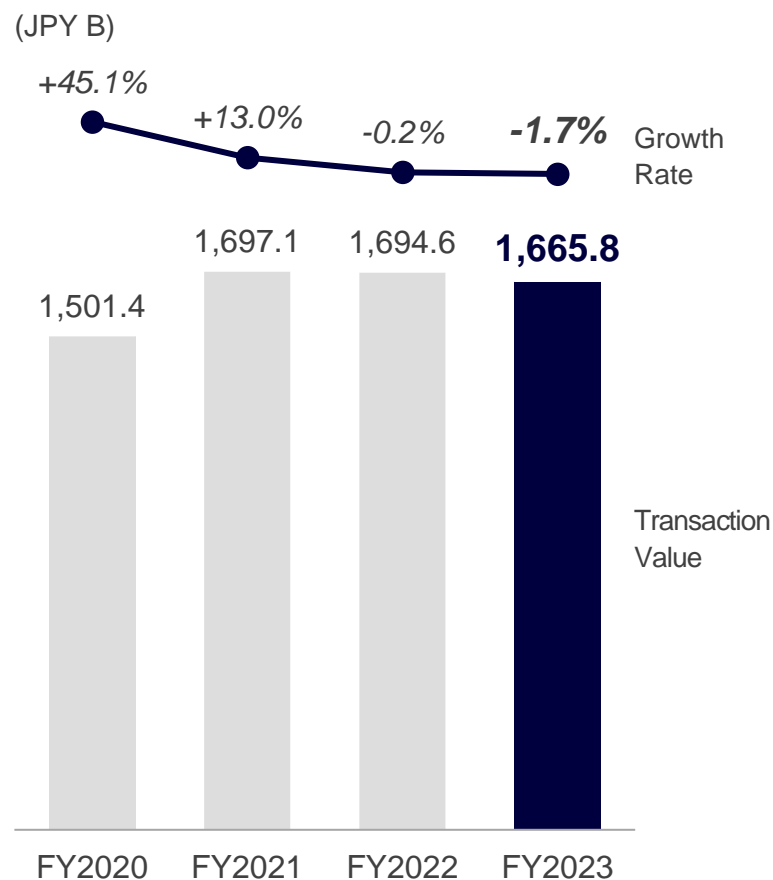
Revenue/YoY Growth Rate<sup>1, 2, 3</sup>Adjusted EBITDA/YoY Growth Rate<sup>1, 2, 3</sup>Adjusted EBITDA Margin<sup>1, 2, 3</sup>

- 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 transaction value bottomed out with launch of LYP Premium.

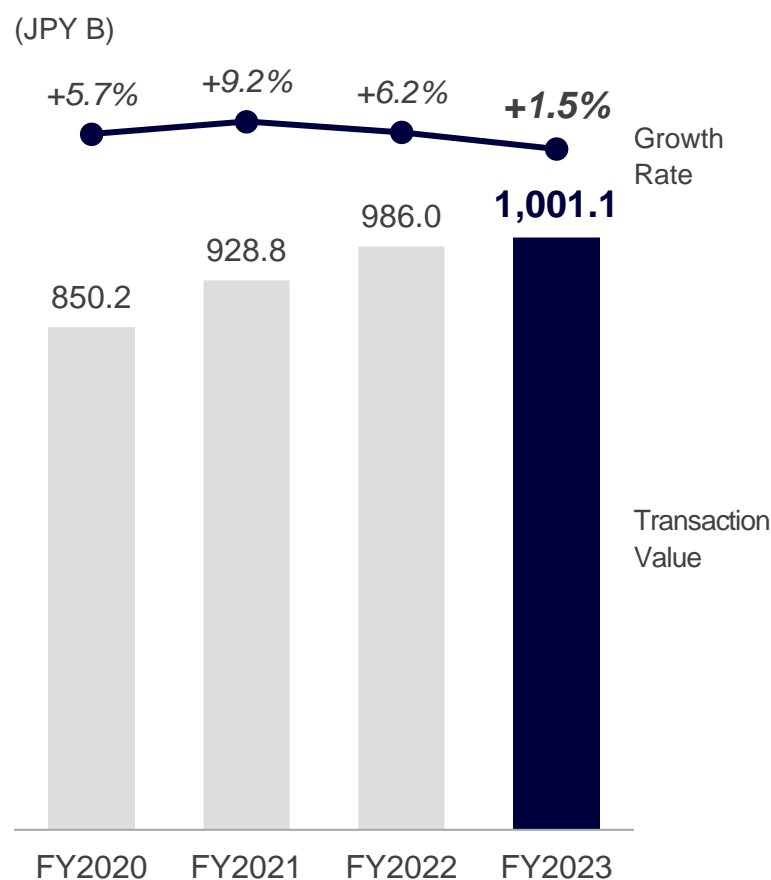
### Domestic Shopping Transaction Value<sup>1</sup> – YoY Growth Rate

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



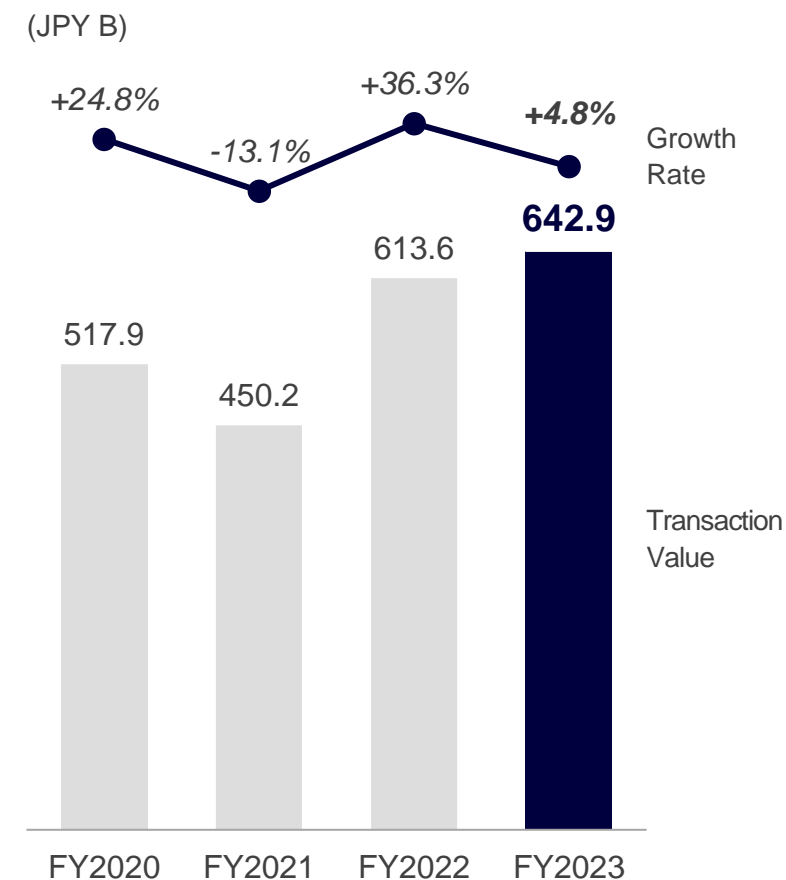
### Domestic Reuse Transaction Value<sup>1</sup> – YoY Growth Rate

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



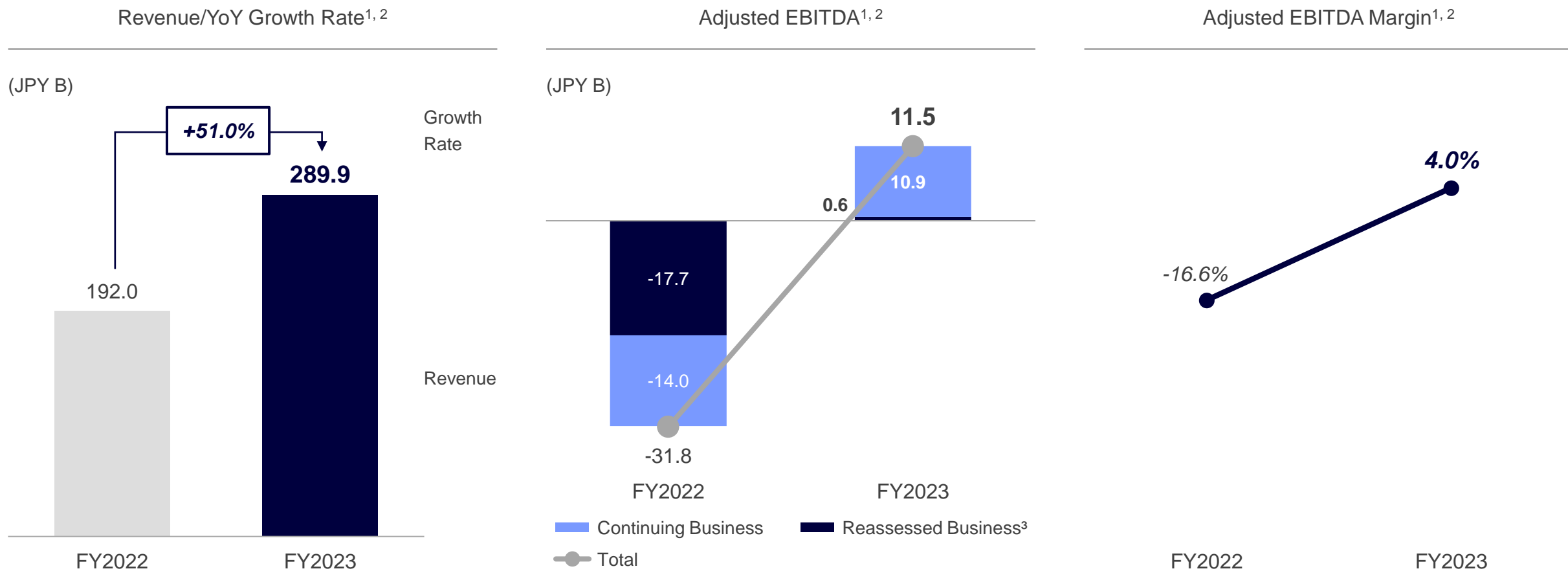
### Domestic Services Transaction Value<sup>1</sup> – YoY Growth Rate

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



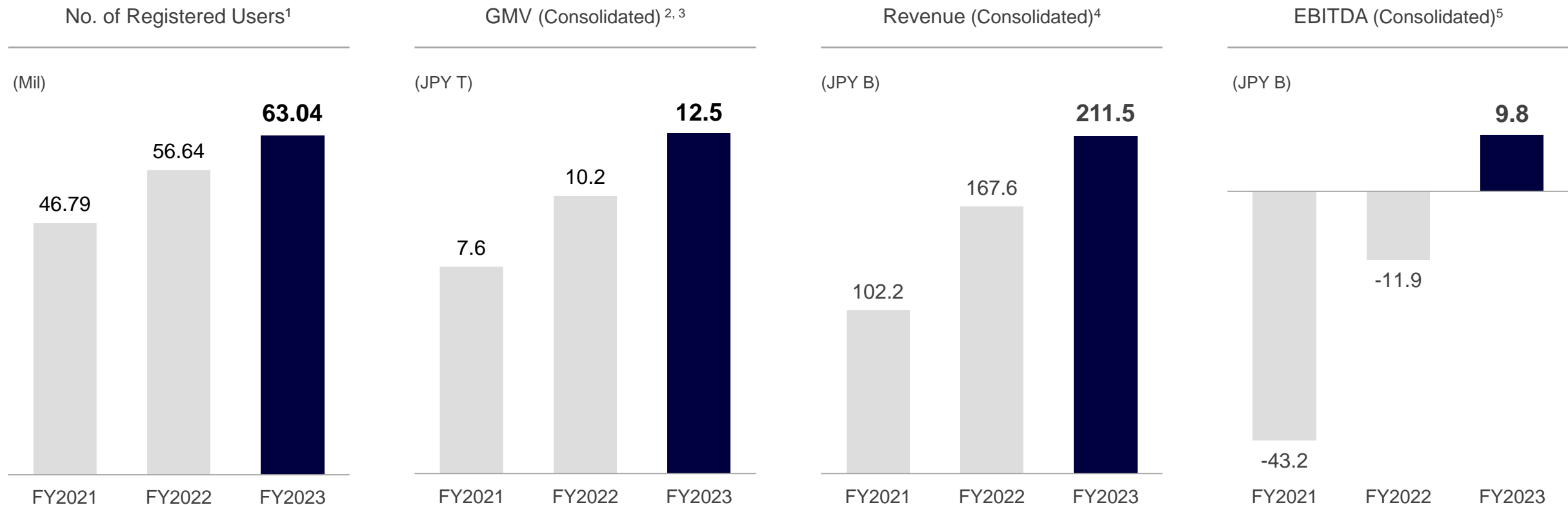
1. Please refer to P.20 of the Appendix for a definition of "transaction value."

- Revenue increased with growth of PayPay (Consolidated). Strategic Business achieved profitability for the first time in the full fiscal year.



- 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 GMV grew by JPY2 trillion YoY, consolidated revenue exceeded JPY200 billion, and consolidated EBITDA achieved 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. 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 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.

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## **FY2024 Policies**

- 1 Security Measures**
- 2 Product Reinforcement**
- 3 Disciplined Cost Allocation**

## **FY2024 Policies**

- 1 Security Measures**
- 2 Product Reinforcement
- 3 Disciplined Cost Allocation

Overview of Information Leakage Due to Unauthorized Access

- **Malware infection of subcontractors’ PCs and other factors triggered multiple cases of unauthorized third-party access to our systems.**
- **This led to the information leakage of users, business partners, employees, and other personnel.**

Timeline of Responses		No. of Records Leaked (Including Estimates)
Oct. 17, 2023	The company’s security department started an investigation after detecting suspicious access into its systems	<div>Incident #1</div> <div>Personal data of users, business partners, employees, and other personnel</div> <div>Approx. 520,000</div>
Nov. 27, 2023	Announced incident of information leakage due to unauthorized access (incident #1)	
Feb. 14, 2024	Completed final investigation of the above incident #1, announced incident #2 regarding unauthorized use of two subcontractors’ accounts, and publicized recurrence prevention measures	
Mar. 5, 2024	Received administrative guidance from Japan’s Ministry of Internal Affairs and Communications (MIC)	<div>Incident #2</div> <div>Personal data of employees and other personnel</div> <div>Approx. 58,000</div>
Mar. 28, 2024	Received request for reports, etc. and recommendation from Japan’s Personal Information Protection Commission (PPC)	
Apr. 1, 2024	Submitted report to MIC (further reports planned to be submitted regularly)	
Apr. 16, 2024	Received administrative guidance from MIC	
Apr. 26, 2024	Submitted report to PPC (further reports planned to be submitted regularly)	

## Causes of Incidents and Our Main Recurrence Prevention Measures

- We will reinforce security measures for employee systems, etc., and fundamentally revise our safety management measures and subcontractor management.

### Causes of Incidents

**Common authentication system  
with NAVER Cloud  
Broad network access allowed**



- Introduce firewalls and block unnecessary telecommunications
- Separate employee systems and authentication systems

**Active Directory<sup>1</sup> management and  
security levels at the former  
LINE Corporation environment**



- Increase security level of Active Directory and reinforce access monitoring
- Introduce two-factor authentication
- Shift to an SOC system (LY Corporation and group companies in Japan)

**Subcontractor management**



- Strengthen subcontractor management rules
- Lend PCs with LY Corporation's specifications to subcontractors with accounts issued by the company

1. A centralized system to manage resources such as users and computers.

2. Measures include those scheduled to be implemented in the future. To check the schedule in detail, please refer to <https://www.lycorp.co.jp/en/privacy-security/recurrence-prevention/>.

## Measure for Employee Systems, Etc.<sup>2</sup>

- Scheduled to complete LY Corporation's own measures within this fiscal year (separation of employee systems and authentication systems from NAVER, etc.).
- Currently formulating plans to further accelerate the implementation schedule, including that of subsidiaries.

				FY2023	FY2024	FY2025	FY2026	Status
LY Corporation	Separation from NAVER Cloud network	Blockage of unnecessary telecommunications	Installation of firewalls, blockage of unnecessary telecommunications	●				Complete
			Planning of termination/downsizing outsourced work	●	●			Scheduled for completion in Jun 2024 <sup>1</sup>
		Application of two-factor authentication to systems used by LY Corporation's employees	For internal systems excluding some systems in the former Yahoo Japan environment	●				Complete
			For some systems in the former Yahoo Japan environment	●	●			Scheduled for completion in Dec 2024
		Systems separation (employee systems)	Separation of systems used by LY Corporation	●	●			Scheduled for completion in Mar 2025
			System managed by LY Corporation: Switch to own authentication system	●				Complete
		Separation of authentication systems	System managed by LY Corporation: Separation including operations	●	●			Scheduled for completion in Jun 2024
			Separation of LY Corporation's authentication system	●	●			Scheduled for completion in Mar 2025
		Transfer of SOC Tier 1 operations	Completion of system construction/start of operations	●	●			Scheduled for completion in Oct 2024
	Safety management measures	Correction of Active Directory management	—	●				Complete
		Security diagnosis and vulnerability revision of authentication processes for critical systems	—	●				Complete
		Formulation of countermeasure plans with outside companies	Formulation of plans, etc.	●	●			Scheduled for completion in May 2024
		Effectiveness verification and further improvement of cybersecurity measures/security monitoring	Implementation of penetration tests/formulation of corrective action plans	●	●			Scheduled for completion in Aug 2024
			Formulation of plans for mechanisms of behavior-based detection, etc., and rules for correlation analyses, etc.	●	●			Scheduled for completion in Aug 2024
	Subcontractor management	Review of security risk assessment standards	—	●				Complete
		Consideration/formulation/implementation of subcontractor management methods	Performance of audits, etc. on subcontractors that caused the incident ahead of others	●	●			From Jan 2024
			Consideration of subcontractor supervision methods and formulation of standards	●				Complete
			Establishment of internal regulations/organizations	●	●			Apr 2024 onward
		Formulation of safety management/cybersecurity measures	—	●				Complete
		Loaning of PCs to subcontractors with LY Corporation-issued accounts	Completion of loaning out PCs to subcontractors	●	●			Scheduled for completion in Sep 2024
		On-site investigations and request for corrective actions to be taken at NAVER Cloud and other related subcontractors	—	●				Complete
LY Corporation's subsidiaries	Separation from NAVER Cloud network	Separation of systems (employee systems) and authentication systems	Separation of systems used by domestic subsidiaries	●	●			Scheduled for completion in Mar 2026
			Separation of systems used by overseas subsidiaries	●	●			Scheduled for completion in Dec 2026

1. Afterwards, block telecommunications in phases starting from outsourced work that has been terminated/downsized based on plans.

2. To check the schedule in detail, please refer to <https://www.lycorp.co.jp/en/privacy-security/recurrence-prevention/>.

## Measures for Service and Business Domains

- In addition to employee system and network operations, etc., will also terminate outsourcing relationship with NAVER in the service and business domains.

### Reinforcement Policies/Measures

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- **Will also terminate outsourcing in the service and business domains.**  
A decision has also been made to end outsourcing and collaboration on the development and verification of Yahoo! JAPAN's online search.
- The plan for each domain is scheduled to be announced in July.

## Establishment of New Organizations

- Established new organizations to strengthen security governance.

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### Reinforcement Policies/Measures

- **Established a Security Governance Committee directly under the President**
- **Established a Group CISO Board that also includes SoftBank Corp.**

## Impact on Business & Financial Performance

- **Prioritizing the acceleration of security reinforcement measures. For FY2024, approx. JPY15.0 B anticipated for the cost of countermeasures.**

### **Approx. JPY15.0 B anticipated in FY2024 as countermeasure expenses**

- Preliminary estimated figure for costs associated with termination of outsourced service development and use of systems (including service infrastructure).
- Countermeasure expenses for FY2024 may increase if the plan to implement countermeasures is accelerated.

**Timing to begin the account linkage between LINE and PayPay will be reviewed, prioritizing LY Corporation's security reinforcement measures**



## Revision of Management Structure

- Strengthen governance by further separating management from business execution functions.
- As directors, Idezawa and Kawabe will be responsible for governance, including security measures. Shin (CPO) and Oketani (CSO) will focus on business promotion.

Current Structure

	Title	Name
1	Chairperson and Representative Director	Kentaro Kawabe
2	President and Representative Director, CEO	Takeshi Idezawa
3	Representative Director, CPO	Jungho Shin
4	Director, CSO	Taku Oketani
5	Outside Director (Independent Director) Full-time Audit and Supervisory Committee Member	Yoshio Usumi
6	Outside Director (Independent Director) Audit and Supervisory Committee Member	Maiko Hasumi
7	Outside Director (Independent Director) Audit and Supervisory Committee Member	Tadashi Kunihiro

43%

New Structure (After Shareholders' Meeting on June 18, 2024)

	Title	Name
1	Chairperson and Representative Director	Kentaro Kawabe
2	President and Representative Director, CEO	Takeshi Idezawa
3	Outside Director (Independent Director) Full-time Audit and Supervisory Committee Member	Yoshio Usumi
4	Outside Director (Independent Director) Audit and Supervisory Committee Member	Maiko Hasumi
5	Outside Director (Independent Director) Audit and Supervisory Committee Member	Tadashi Kunihiro
6	Outside Director (Independent Director) Audit and Supervisory Committee Member	Yuko Takahashi (New appointment)*

Ratio of  
outside  
directors

67%

\*Profile

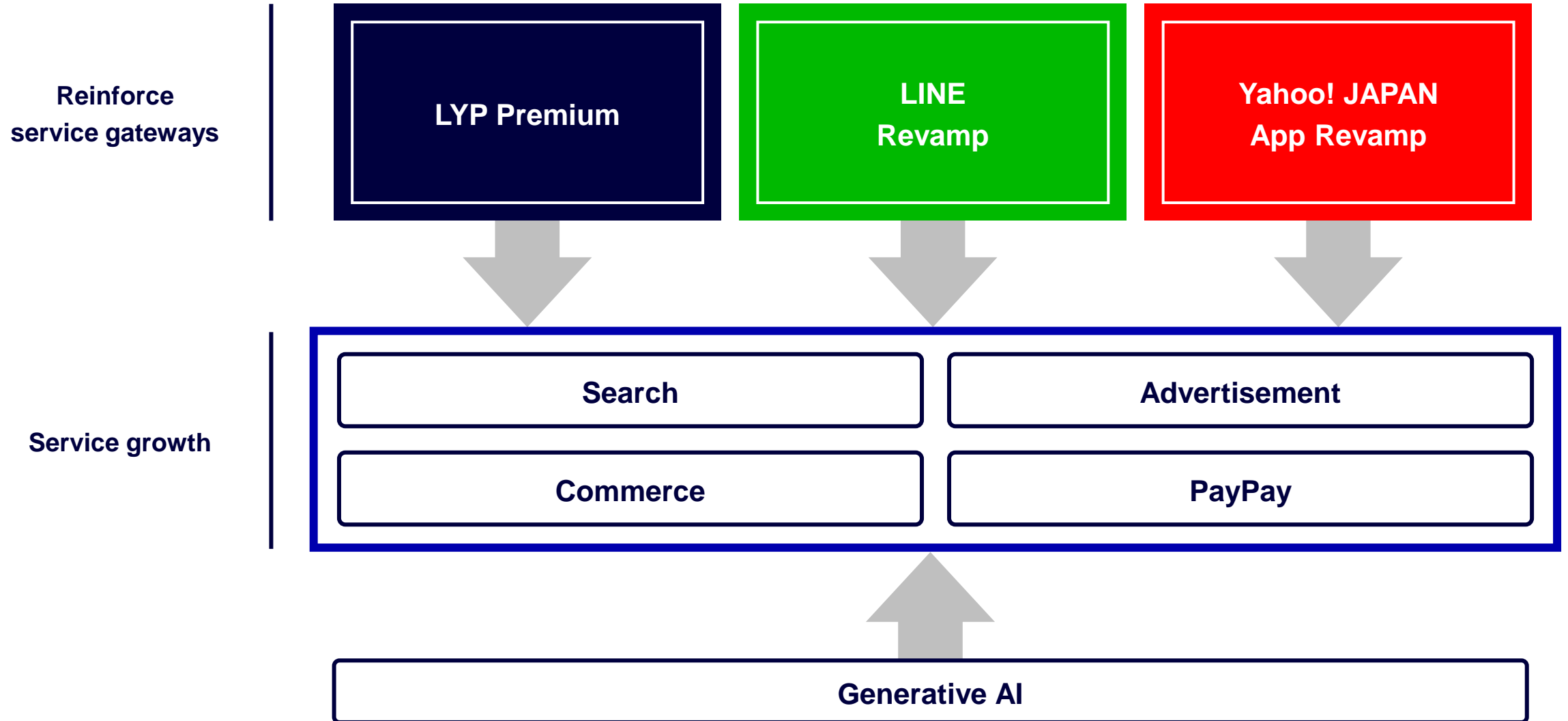
- October 1992: Joined Century Audit Corporation (currently KPMG AZSA LLC)
- February 2001: Joined Dentsu Inc.
- July 2021: Established Yuko Takahashi Certified Public Accountants Office (to present)
- March 2022: Director, Dentsu Group Inc.
- Currently serves as an outside director and outside auditor in multiple companies.

## **FY2024 Policies**

- 1** Security Measures
- 2** Product Reinforcement
- 3** Disciplined Cost Allocation

## Product Reinforcement

- Reinforce the service gateways in FY2024 to propel service growth.

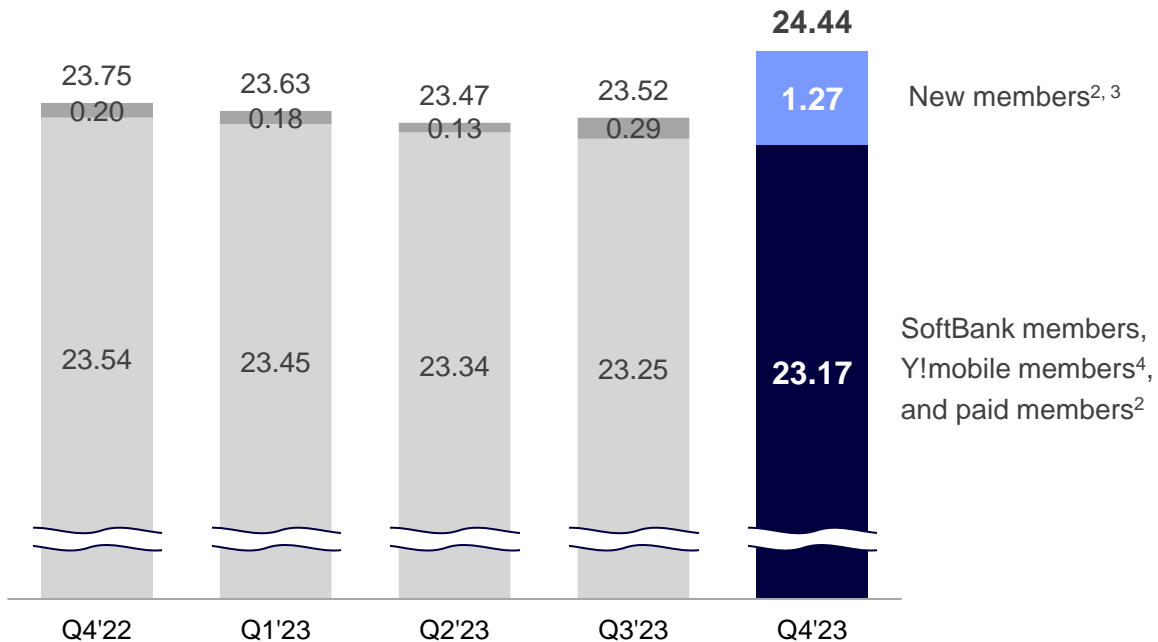


## LYP Premium

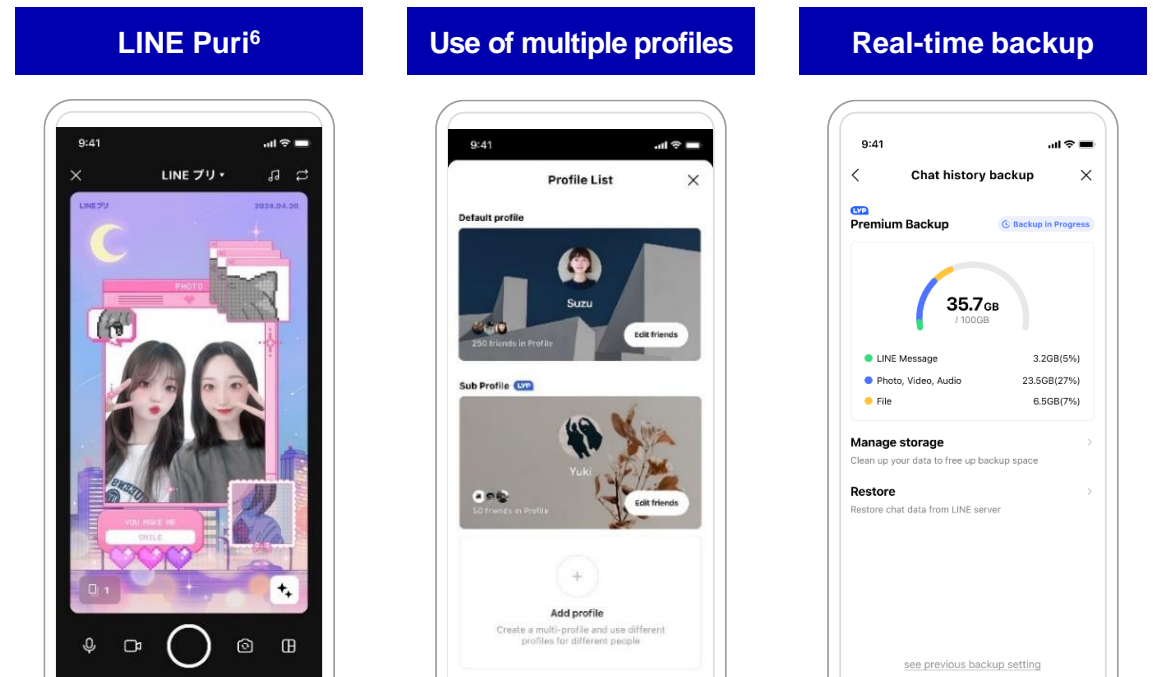
- Free members increased as a result of sales promotional measures. Will expand paid members through additional benefits, etc.

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

(Mil)



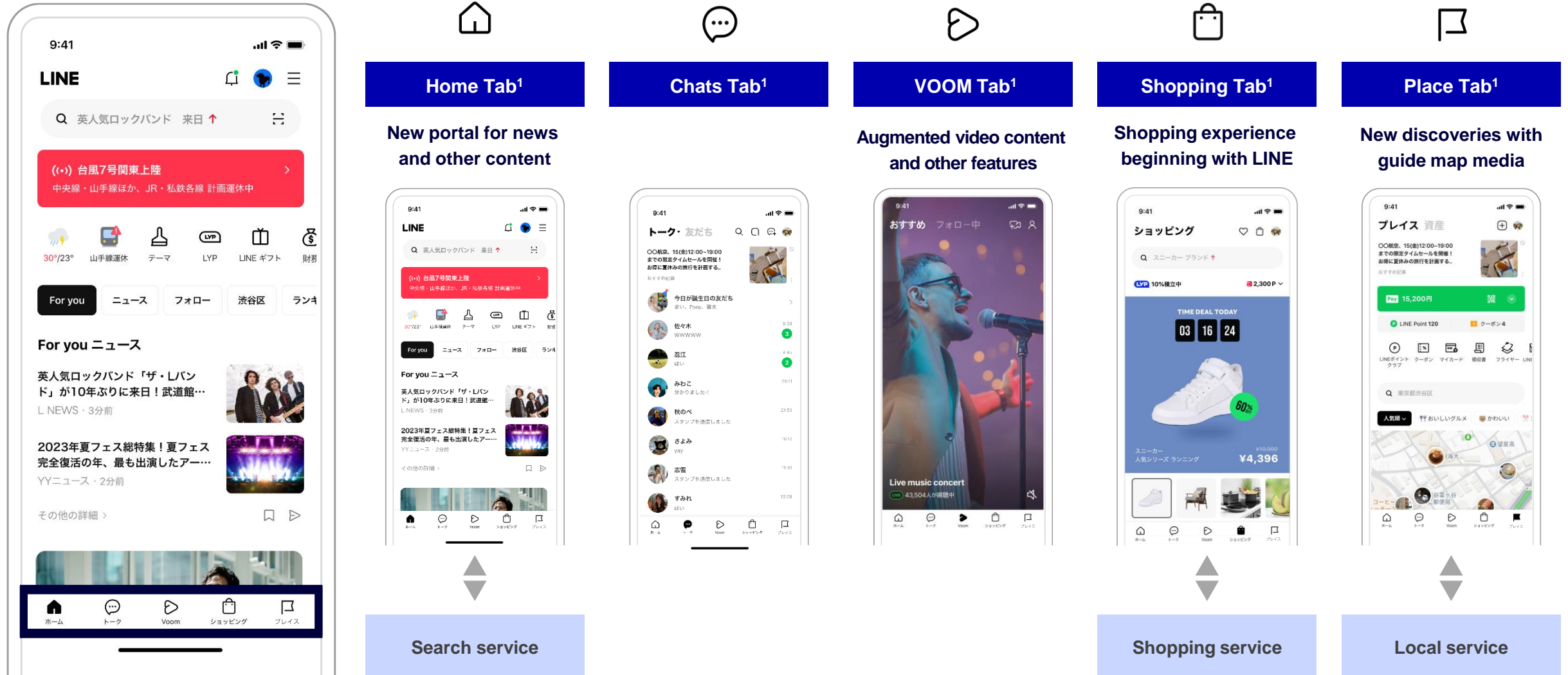
Planned Additional Benefits (LINE)<sup>5</sup>



- Yahoo! JAPAN Premium has been renamed as LYP Premium on November 29, 2023.
- No. of paid and free members for FY2023 Q3 and before are estimates, calculated by dividing the revenue of Yahoo! JAPAN Premium and LYP Premium by monthly membership fee.
- 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. Users who rejoined after canceling their subscription are also counted as new members.
- 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.
- A feature where users can take photos with their friends online and in real-time.

# Revamping of LINE App

- Proceeding steadily towards the redesign in FY2024.



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

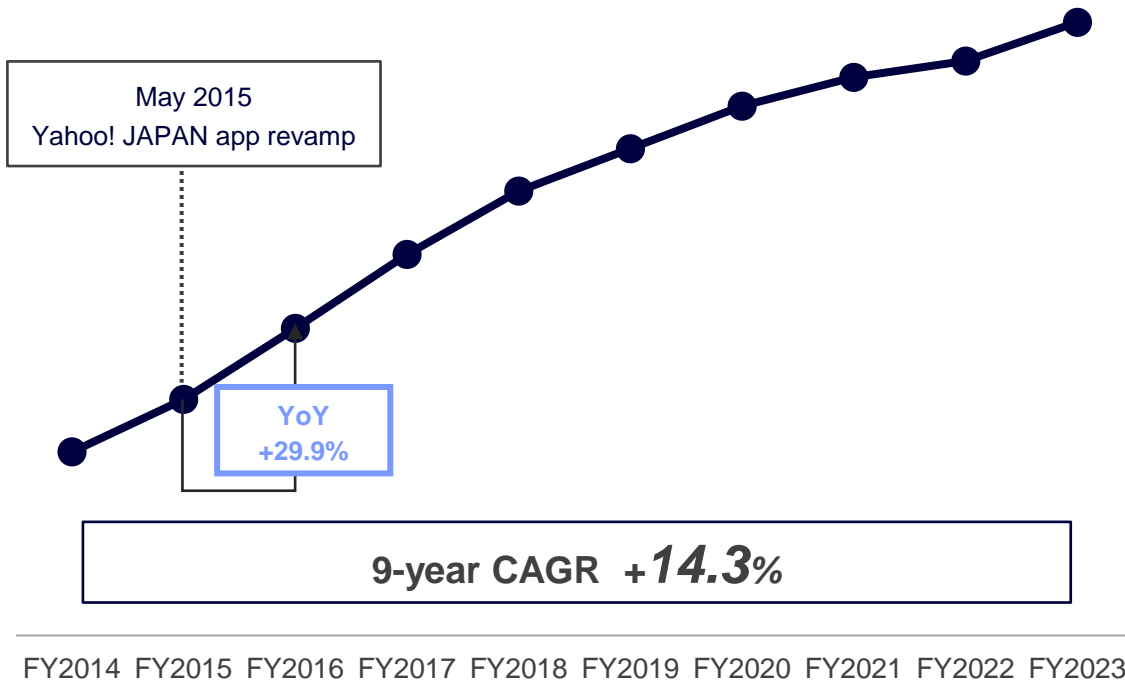
## Revamping of Yahoo! JAPAN App

- Scheduled to be released in the first half of FY2024. Aim for reaccelerated growth with the redesign.

### Yahoo! JAPAN App—DAU Trend

DAU grew with the revamp in 2015.

Currently, search, timeline, and tools are used heavily, and users who use multiple domains visit frequently.



### Purpose of Revamp

Increase DAUs and sessions by revamping tab structure to meet user needs; increased number of sessions also contributes to an increase in the number of search.

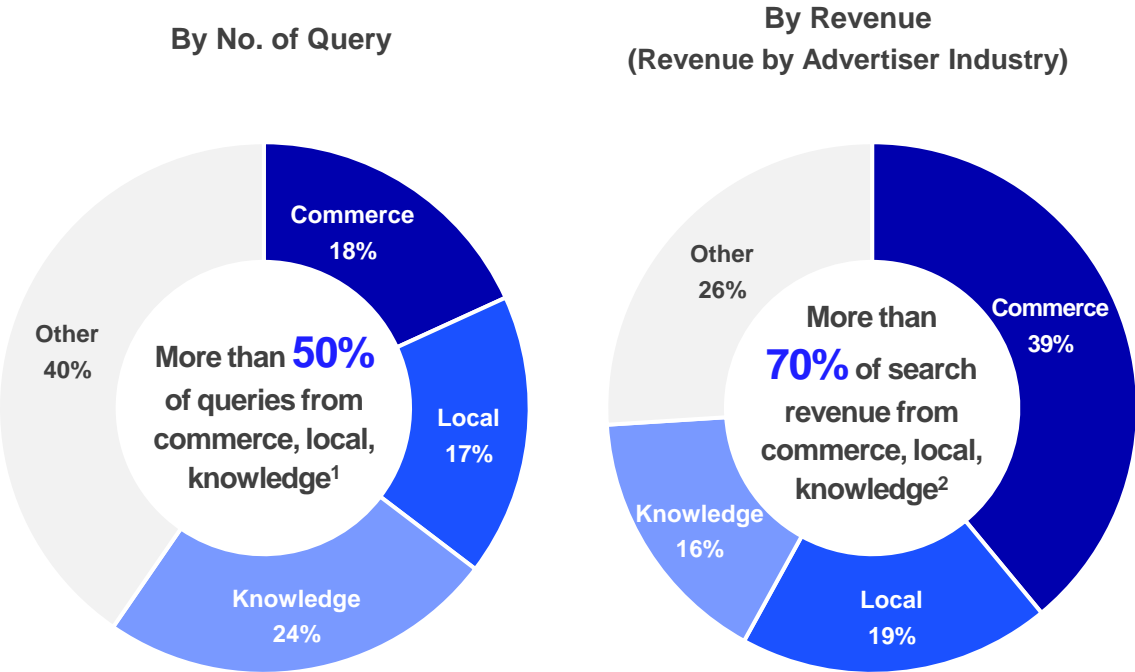
(More than 80% of search queries are from Yahoo! JAPAN Top Page)



# Search

- Integrated commerce search started off steadily, anticipating a 1.5X increase in no. of products within FY2024.

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



1. Estimated classifications according to queries made in FY2023.  
2. Estimated based on advertisers' industry classifications for FY2023 search advertising revenue.

Reinforcing Integrated Commerce Search

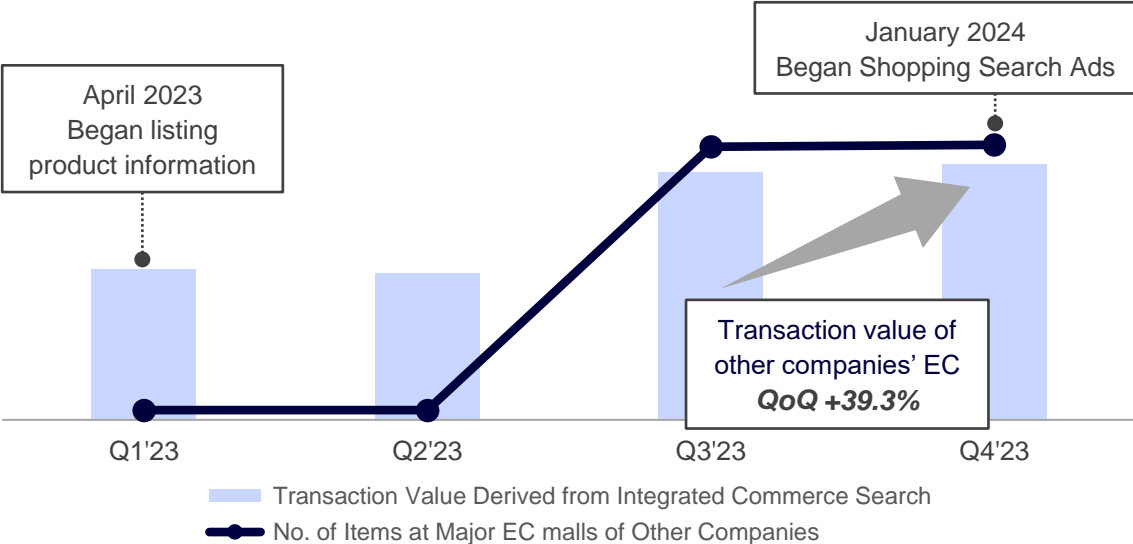
Ideal State

Increase revenue by enhancing custom features based on queries and log information of each user.

Transaction Value Derived from Integrated Commerce Search

Transaction value increased as a result of the growth in transaction value of other companies' e-commerce (EC) services.

No. of products exceeded 600 mil in FY2023. Expected to increase by around 1.5 times within FY2024, aiming for more than 1.3 times increase in transaction value.



## Advertisement

- Reinforcing monetization through functional improvements of account ads.
- For display ads, introducing various measures to propel growth while conducting responses to the end of third-party cookies.

### Account Ads

#### 1 Increase no. of paid accounts

- Reinforce monetization by expanding chat function for businesses

#### 2 Increase per-customer spend

- Improve LINE notification messages to increase usage and message reach rate
- Promote use of first-party data and expand automatic message delivery function

#### 3 Increase no. of reachable targets

- Improve credibility through abuse prevention measures
- Improve merchantability of free LINE stickers
- Enhance contact points for adding friends

### Display Ads

#### Issue

**Impact of the end of third-party cookies**

#### Measures

**Use of first-party data from account linkage and data integration**

**Revamping of LINE/Yahoo! JAPAN apps to reinforce media power**

**Integration of ad platforms (FY2025 onwards)**



## Commerce Business

- Growth of Yahoo! JAPAN Shopping accelerated as a result of cross use of the Group's assets.

### Cross Use by LYP Premium Members

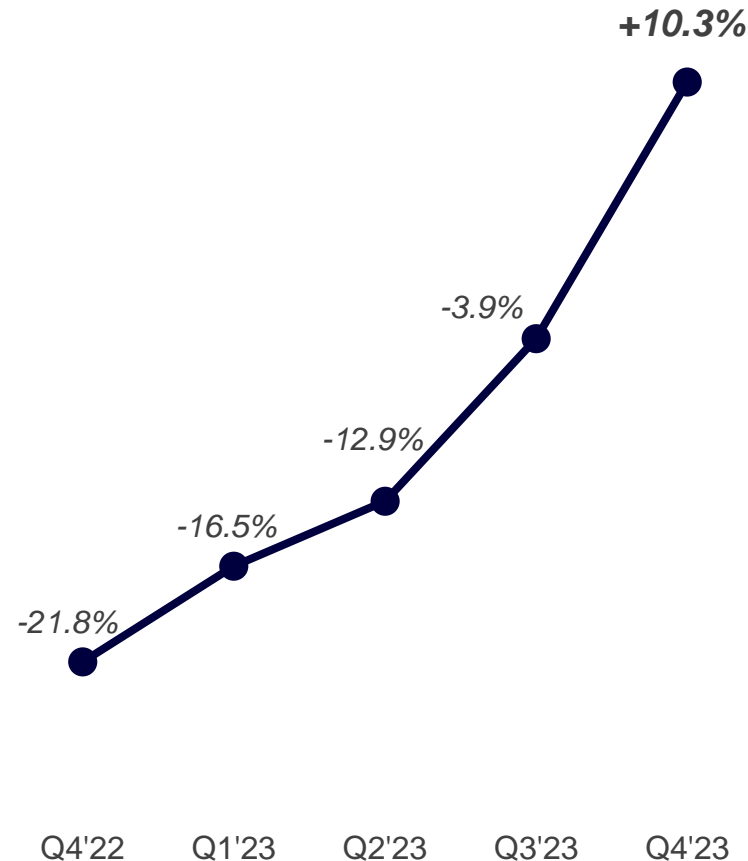
#### New LYP Premium Members

**53% via the LINE app<sup>1</sup>**

#### Yahoo! JAPAN Shopping Usage Rate

**More than 40%<sup>2</sup>**

### Yahoo! JAPAN Shopping Transaction Value<sup>1</sup> – YoY Growth Rate



### Measures to Promote Cross Use

**New “Shopping” tab  
on the LINE app**

**Collaboration with PayPay  
“Shopping mini app”  
(Launched in Feb. 2024)**

1. Calculated based on the number of new LYP Premium members from December 2023 to March 2024.

2. Calculated based on the usage performance of Yahoo! JAPAN Shopping in March 2024 by users who newly became LYP Premium members between November 29, 2023 to March 31, 2024.

## Strategic Business (PayPay)

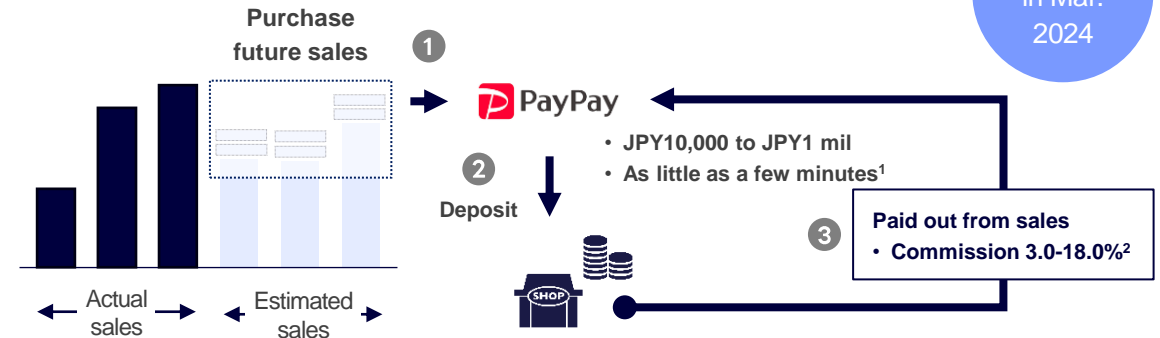
- PayPay will aim for top-line growth and improved profitability.

Top-line growth	1	Increase average spend and interest income from revolving credit by promoting use of credit card payment and co-use with physical credit cards
	2	Promote use by integrating payment experiences for code payment and credit card payment
	3	Improve MTU through service linkages within the Group
	4	Diversify financial revenue
Improved profitability	1	Continue rigorous investment profitability management
	2	Reduce fixed costs



Launched in Mar. 2024

PayPay Card's payment information can be checked in real time from the "History" section in PayPay app

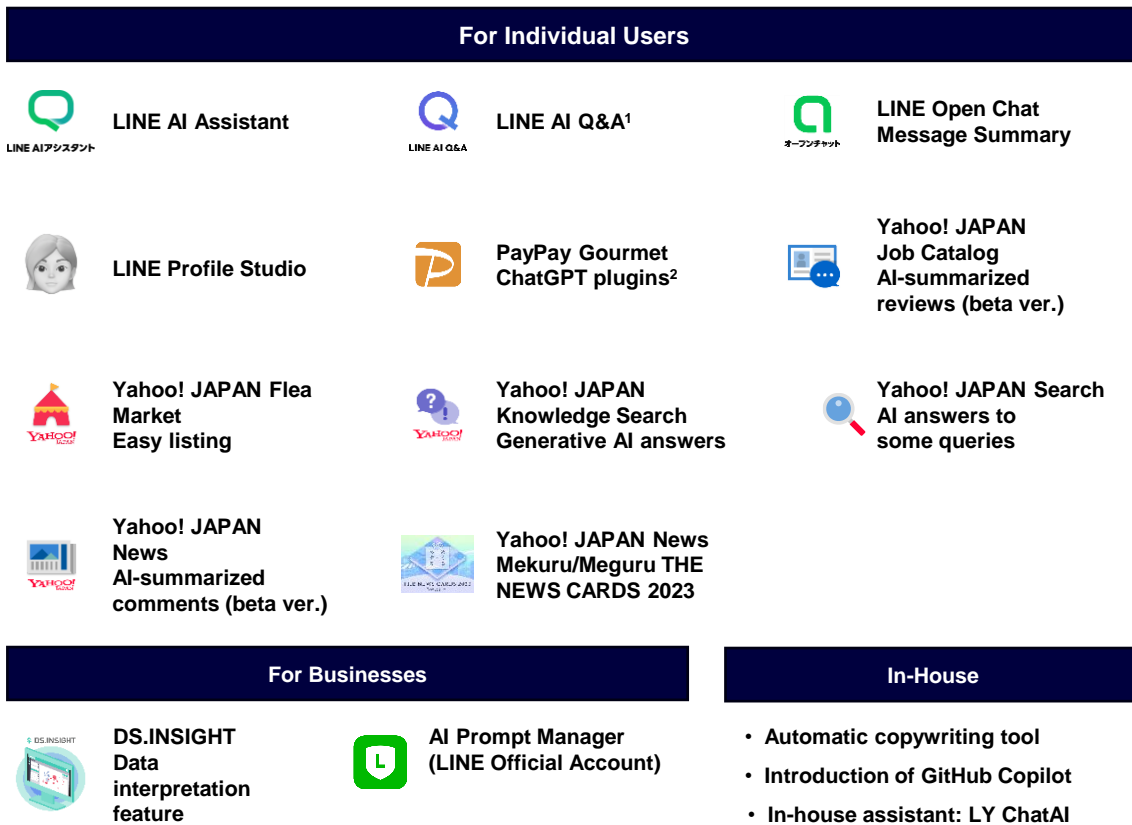


1. Payout in as little as a few minutes for PayPay Bank, or on the day at earliest for other financial institutions.  
 2. Differs by the amount of funds to be advanced and percentage to be taken from monthly sales, decided by the merchants.

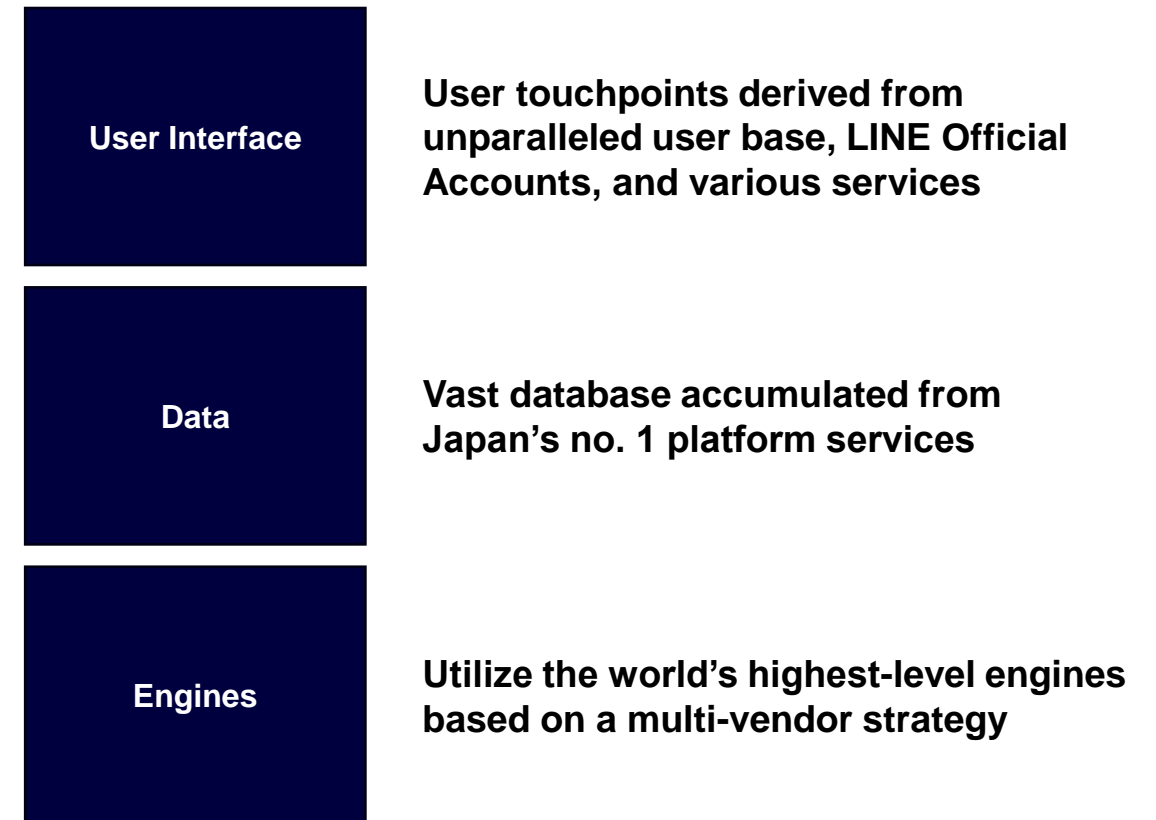
## Generative AI Strategy

- Accelerate implementation of generative AI in services based on a multi-vendor strategy.
- Anticipated to generate a revenue of JPY110.0 billion over the medium-to-long term.

FY2023 Utilized Generative AI in 16 Services (Mainly for Individual Users)



FY2024 Implementation of Generative AI on LINE and Ads, Etc.



1. The service has ended on May 8, 2024.  
2. The service has ended on April 10, 2024.

## **FY2024 Policies**

- 1** Security Measures
- 2** Product Reinforcement
- 3** Disciplined Cost Allocation

## Disciplined Cost Allocation

- Allocate costs to security measures and domains in need of product reinforcement in line with FY2024 policy.

FY2024 Cost Allocation Policy (YoY Change/Excludes PayPay and listed subsidiaries)

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**Security measures**

**Approx. JPY+15.0 B**

**Product reinforcement**  
(Sales promotional cost)

**Approx. JPY+15.0 B**

- Some linked with revenue
- ROI-conscious allocations

**Other fixed costs**  
(Personnel expense etc.)

**No change**

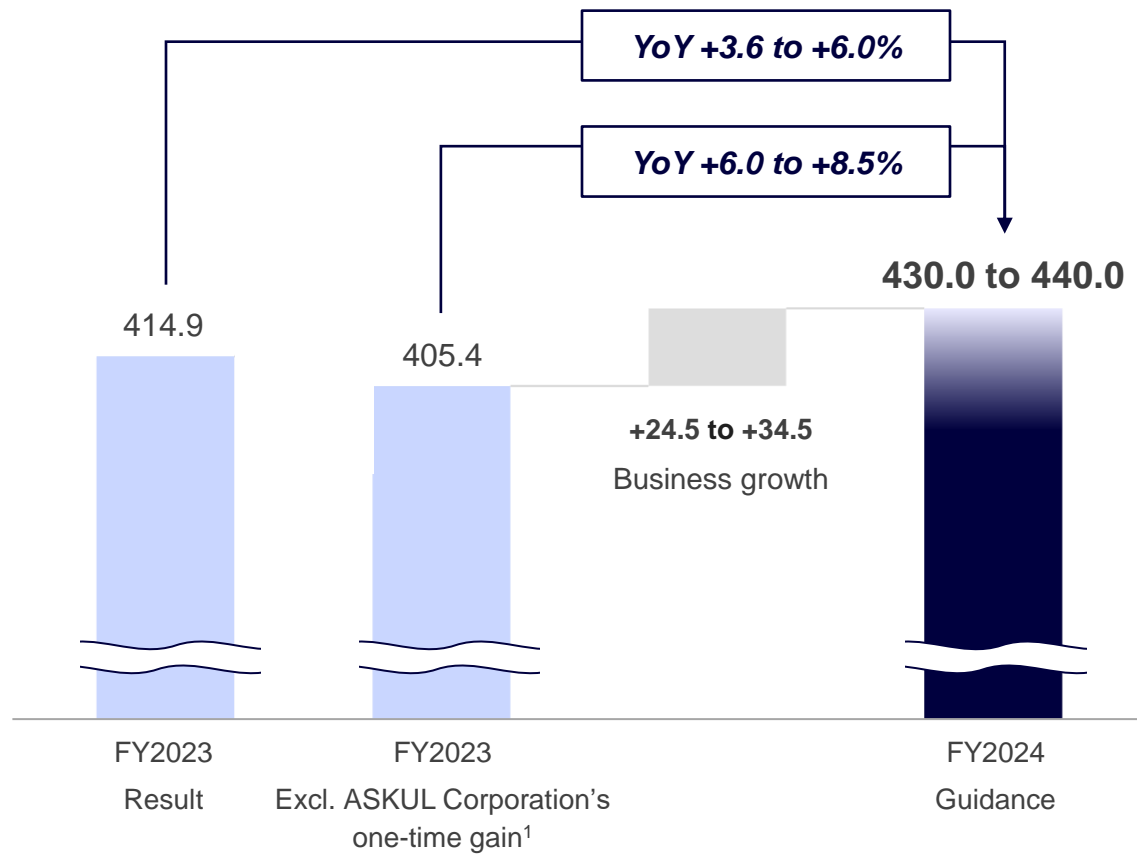
- Maintaining a lean structure

## FY2024 Income Guidance

- Adjusted EBITDA is expected to increase, but adjusted EPS is expected to stay at the FY2023 level due to the absence of one-time gains.

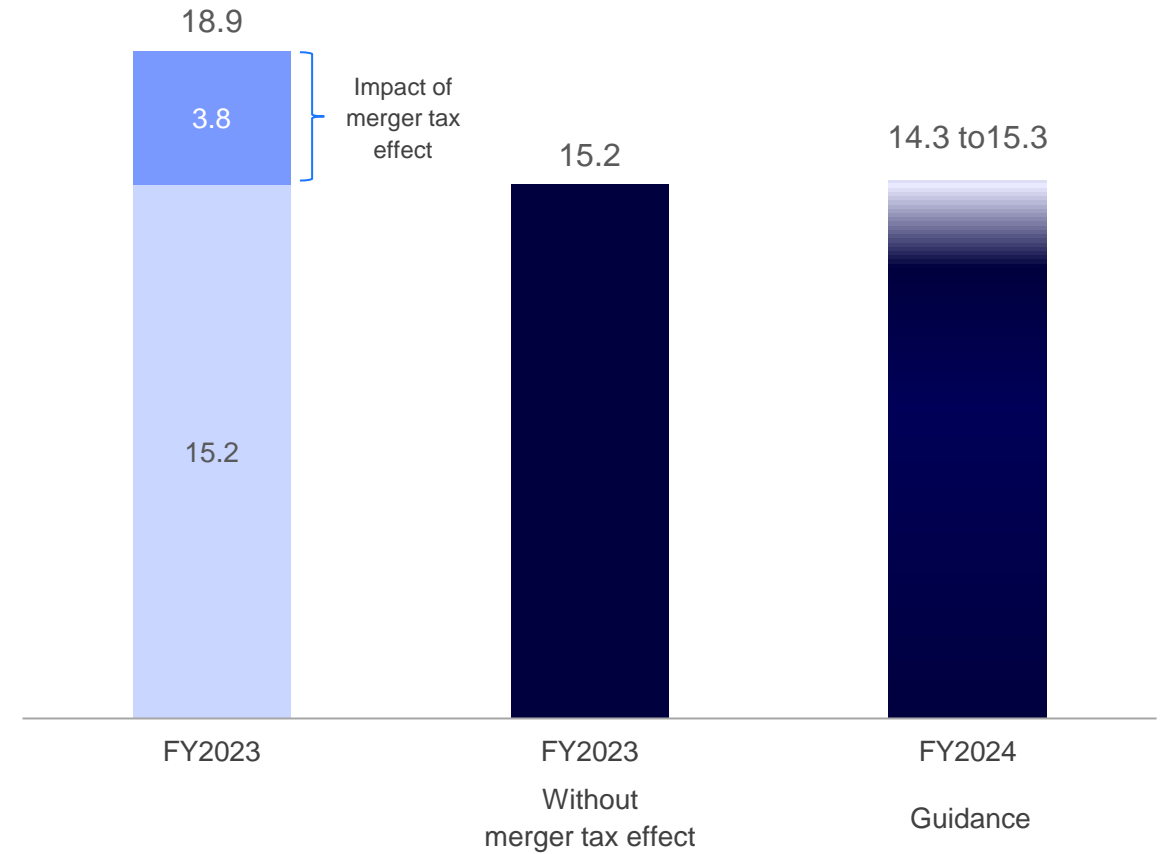
Entire Group Adjusted EBITDA (YoY)

(JPY B)



Adjusted EPS (YoY)

(JPY)



1. ASKUL Corporation's compensation for damages: JPY9.4 billion.

## FY2024 Consolidated Full-Year Guidance

- Newly included adjusted EPS in earnings guidance. Will aim to increase revenue and profit through product reinforcement.

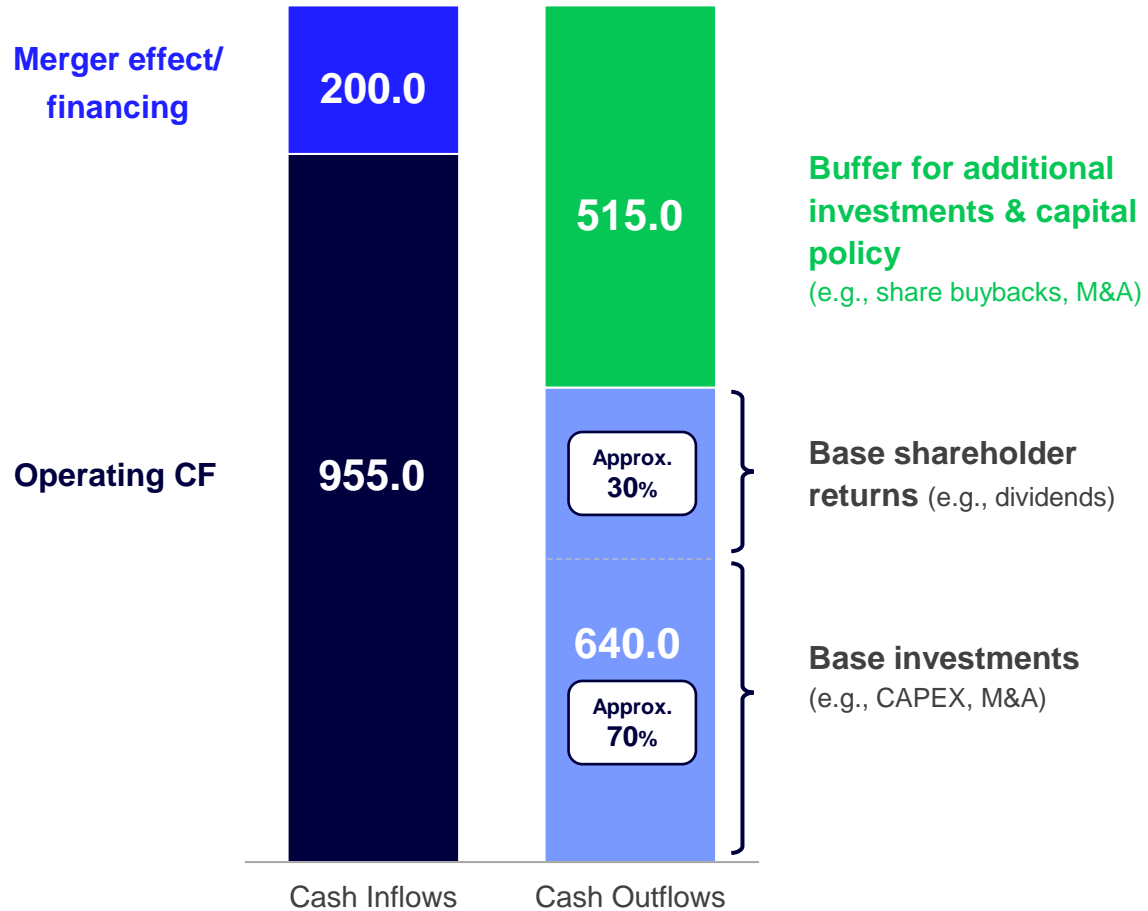
Segment	Item	FY2023	FY2024	YoY
Entire Group	Revenue	JPY1.81 T	Approx. JPY 1.93 T	Approx. +7 %
	Adjusted EBITDA	JPY414.9 B	JPY 430.0 to 440.0 B	+3.6 to 6.0 %
	Adjusted EPS (Excludes merger tax effects)	JPY 18.9 (JPY 15.2)	JPY 14.3 to 15.3	Negative JPY 4.6 to Negative 3.6 (Negative JPY 0.9 to +0.1)
Media	Revenue	JPY 707.6 B	-	Low single digit %
	Adjusted EBITDA	JPY 254.6 B	JPY 261.0 B	+2.5 %
Commerce	Revenue	JPY 821.5 B	-	Middle single digit %
	Adjusted EBITDA	JPY 143.2 B	JPY 147.0 B	+2.7 %
Strategic	Revenue	JPY 289.9 B	-	Lower 20% range
	Adjusted EBITDA	JPY 11.5 B	JPY 21.5 B	+87.0 %
Other/Adjustments	Adjusted EBITDA	JPY 5.5 B	JPY 5.5 B	0 %

## Capital Allocation

- In FY2025, will aim to exceed JPY20 for adjusted EPS.

Capital Allocation Policy<sup>1</sup> (Cumulative Approximate Value for FY2023-2025)

(JPY B)



Cost of Equity/Adjusted EPS

Cost of Equity  
(for the past year)

Approx. 5.5–7.5%

Adjusted EPS

Aim for more than  
JPY20 in FY2025

1. Excluding financial business.



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The Company cautions you that a number of important factors could cause actual results to differ materially from those discussed in the forward-looking statements.

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.

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**LY**

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