LY Corporation Business Results

FY2024 Q3

February 6, 2025

Security Code: 4689

LINEヤフー

FY2024 Q3 Business Results - Summary

1

Revenue and profit increased as a result of growth in account advertising and PayPay Consolidated.

- FY2024 Q3 Result: Entire Group revenue JPY503.4 B (YoY+6.0%)
  Entire Group adjusted EBITDA JPY129.0 B (YoY+17.5%)

2

Revised the dividend forecast upward for this fiscal year. Shareholder return will be enhanced together with share buyback.

- The FY2024 dividend forecast has been revised upward from JPY5.56 to JPY7.00.
- Will continue to consider share buyback using the remaining buffer for additional investments and capital policy.

3

Acquiring BEENOS Inc. will drive renewed growth in the reuse business.

- Will aim for a 4-year CAGR of +10% in cross-border e-commerce transaction value.

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Entire Group

FY2024 Q3 – Results

- **Revenue and profit increased, while progress against guidance for adjusted EBITDA exceeded 75%.**

Segment	Item	FY2024 Q3	% YoY Change	Progress Against Guidance (First nine months of fiscal year)
Entire Group	Revenue	JPY503.4 B	+6.0%	73.8%
	Adjusted EBITDA	JPY129.0 B	+17.5%	79.0 to 80.8%
	Adjusted EPS	JPY6.35[1]	+29.3%	79.4 to 83.3%
Media	Revenue	JPY186.7 B	+3.4%	-
	Adjusted EBITDA	JPY74.3 B	+4.9%	78.4%
Commerce	Revenue	JPY225.8 B	+3.1%	-
	Adjusted EBITDA	JPY41.8 B	+19.9%	78.7%
Strategic	Revenue	JPY91.1 B	+19.0%	-
	Adjusted EBITDA	JPY18.0 B	+415.0%	94.0%
Other/Adjustments	Adjusted EBITDA	-JPY5.2 B	-	-

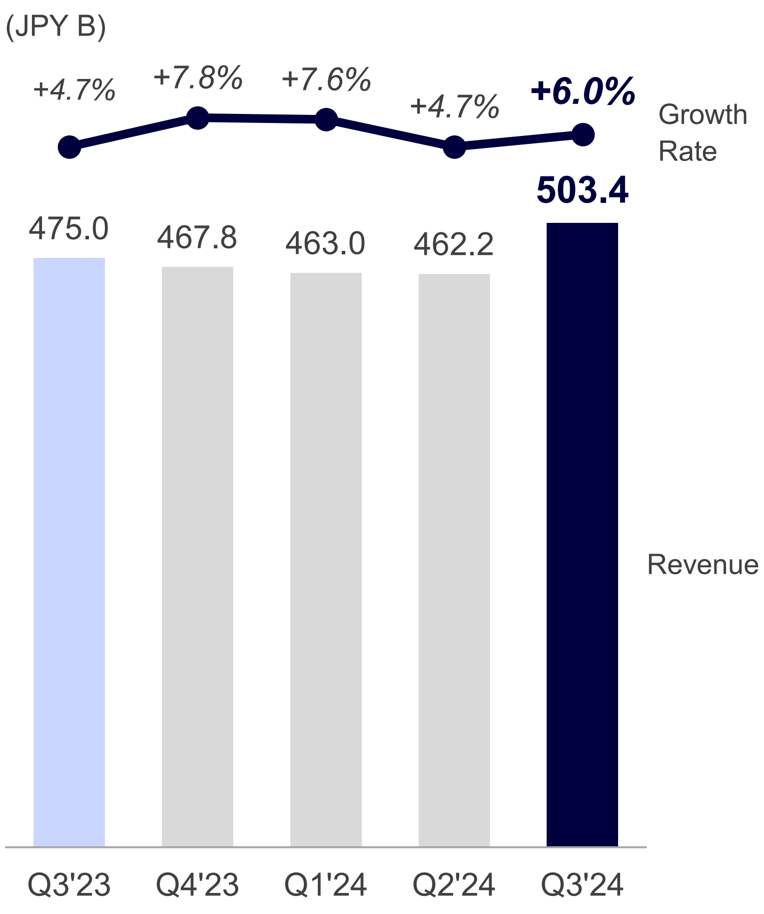
1. The average number of common stocks outstanding for calculating the adjusted EPS for FY2024 Q3 is 7.191 billion (7,191,251,152) shares. This is because the share buyback conducted in FY2024 Q2 caused a difference between the average number of common stocks outstanding for the cumulative third quarter (FY2024 Q1–Q3) and that for FY2024 Q3.

Entire Group

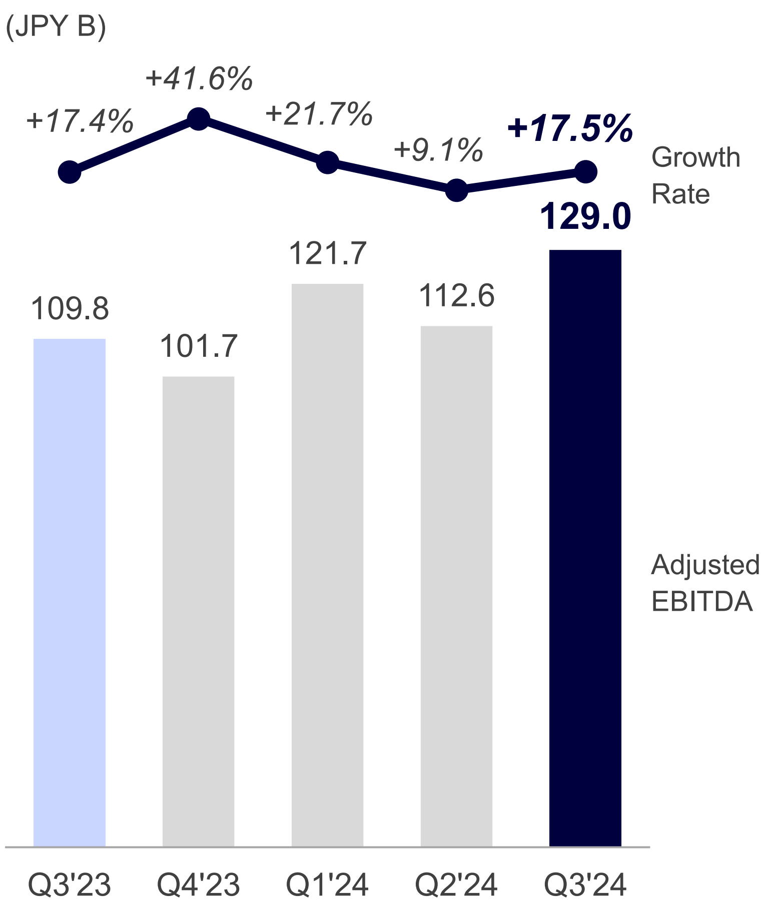
Entire Group – Performance

- **Both revenue and profit increased mainly due to growth in account advertising and PayPay Consolidated. Margin also improved YoY.**

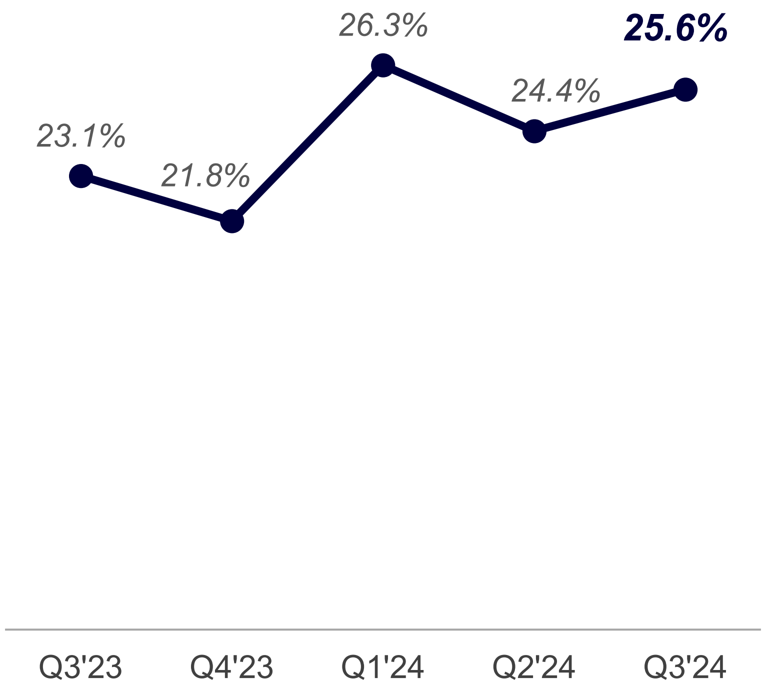
Revenue/YoY Growth Rate



Adjusted EBITDA/YoY Growth Rate



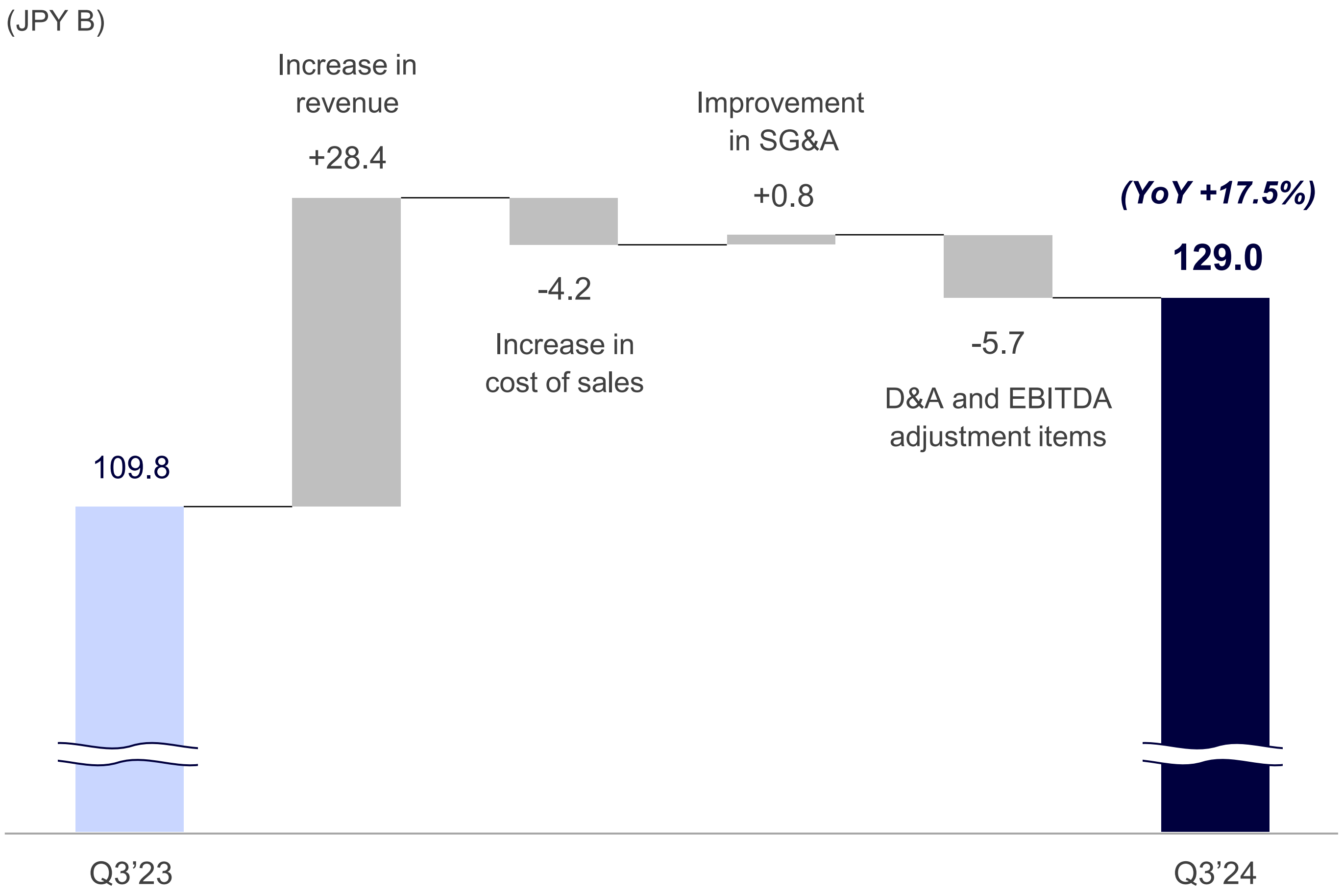
Adjusted EBITDA Margin



Entire Group – Performance

- **Profit increased due to revenue growth in each segment and disciplined cost allocation.**

Factors of Change in Adjusted EBITDA[1]



Revenue: +JPY28.4 billion
- Media (+JPY6.0 B): Growth in account advertising
- Commerce (+JPY6.8 B): Growth in ZOZO, ASKUL, and Yahoo! JAPAN Shopping
- Strategic (+JPY14.5 B): Growth in PayPay Consolidated and LINE Pay Taiwan

Cost of sales: +JPY4.2 billion
- Media (+JPY3.4 B): Increase in ebookjapan, dely, and LINE Stickers
- Commerce (-JPY0.2 B): Decreased due to deconsolidation of ValueCommerce and IPX
- Strategic (+JPY0.8 B): Increase in PayPay Bank

SG&A: -JPY0.8 billion
- Sales promotion costs/advertising & promotional expenses (+JPY1.3 B): Increased mainly in sales promotion costs for Yahoo! JAPAN Shopping
- Other SG&A (-JPY2.1 B): Decreased mainly in recognition of foreign exchange gains and depreciation of right-of-use assets

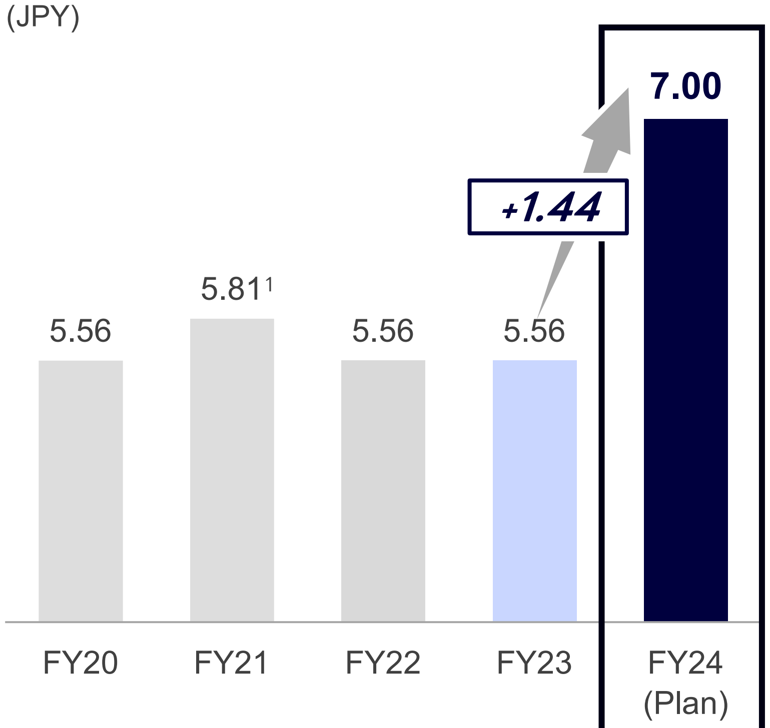
D&A and EBITDA adjustment items: +JPY5.7 billion
- Decreased mainly in stock compensation expenses and depreciation of right-of-use assets

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.

Reinforcement of Shareholder Return

- **Revised the dividend forecast upward for this fiscal year. Together with share buyback, will enhance shareholder return.**

Dividend/Dividend Payout Ratio (FY20-24)



Dividend Payout Ratio (%)

FY20	FY21	FY22	FY23	FY24 (Plan)
60.2	56.3	23.4[2]	37.0	34.3–35.9

Reinforcement of Shareholder Return

- **Taking into account the shareholder return policy announced in FY2024 Q2, recent performance, and other factors, revised this fiscal year's per share dividend to JPY7.00, increasing by JPY1.44.**
- **Will continue to maintain stable dividends.**

Increase dividends to JPY7.00/ maintain stable dividends

- **Implemented a share buyback of approx. JPY150.0 B in FY2024 Q2.**
- **Will consider/implement share buyback at an appropriate timing to improve capital efficiency (improve ROE) in addition to positioning it as a shareholder return initiative.**

Implement flexible share buybacks

Aim for a cumulative total payout ratio of 70% or more in the next 5 years (FY2025-2029)

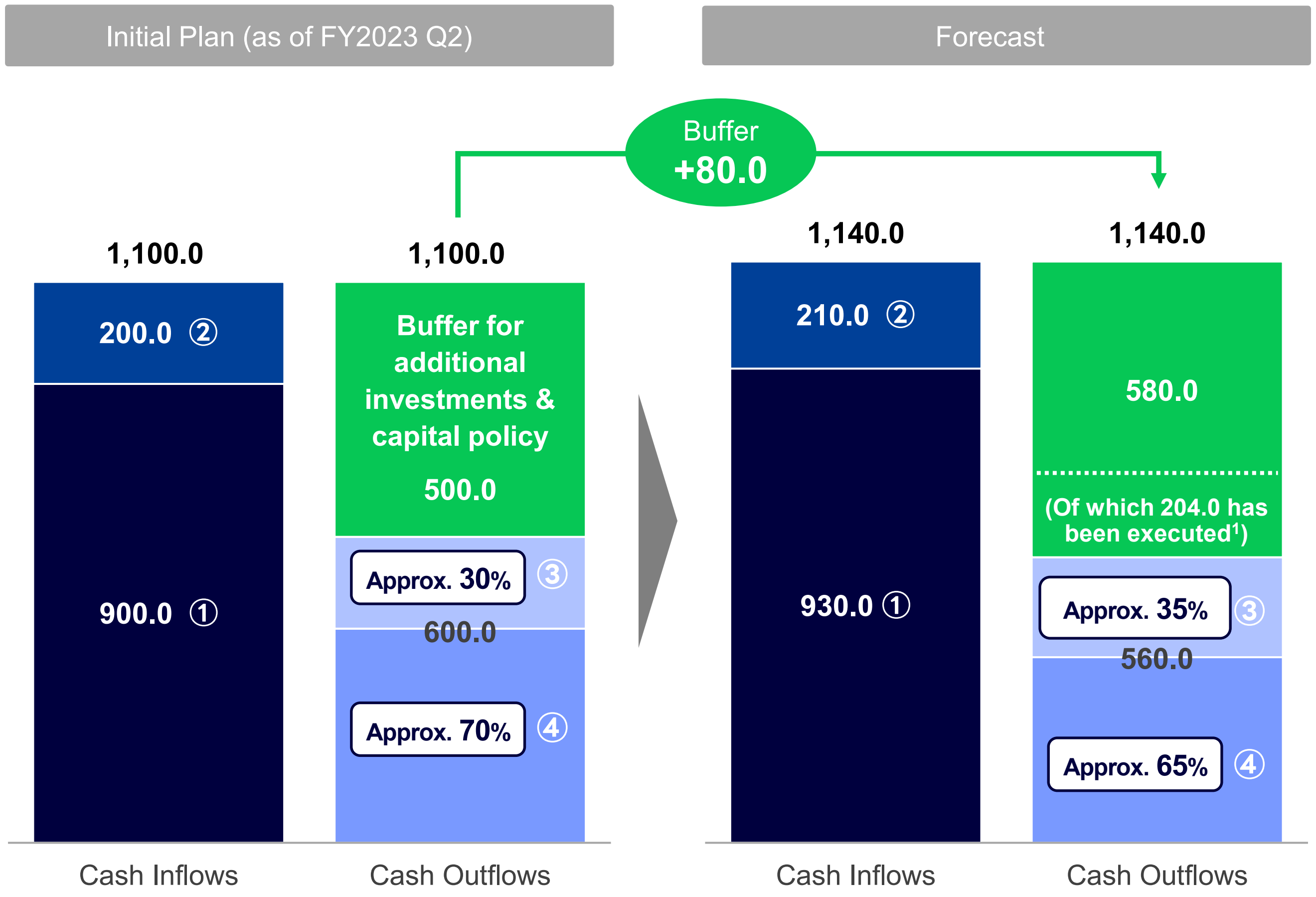
1. Includes the commemorative dividend for the first anniversary of the business integration.
2. Includes the impact of recognizing remeasurement gains from the consolidation of PayPay Corporation.

Capital Allocation

- **Forecast has been updated. Will continue to consider share buyback using the remaining buffer for additional investments and capital policy.**

Capital Allocation Policy (Cumulative Approximate Value for FY2023-2025/ Excluding Financial Business)

(JPY B)



Changes in Buffer for Additional Investments & Capital Policy

Item	Factors	Against Initial Plan (JPY B)
① **Operating CF**	• Mainly outperformance of adjusted EBITDA	30.0 cash increase
② **Merger effect/ financing**	• Increased efficiency in deposit management as a result of the merger	10.0 cash increase
③ **Base shareholder returns** (dividends, etc.)	• LY Corporation: Dividend increase • Listed subsidiaries: Share buybacks	20.0 cash decrease
④ **Base investments** (CAPEX, in-group M&A, etc.)	• Share sales, loan recovery, etc.: +JPY197.0 B • Additional investments/capital increase, lending, etc.: -JPY137.0 B	60.0 cash increase
Buffer for additional investments & capital policy		80.0 cash increase

1. Share buyback: JPY150.0 B; acquisition of BEENOS shares: JPY54.0 B (planned)

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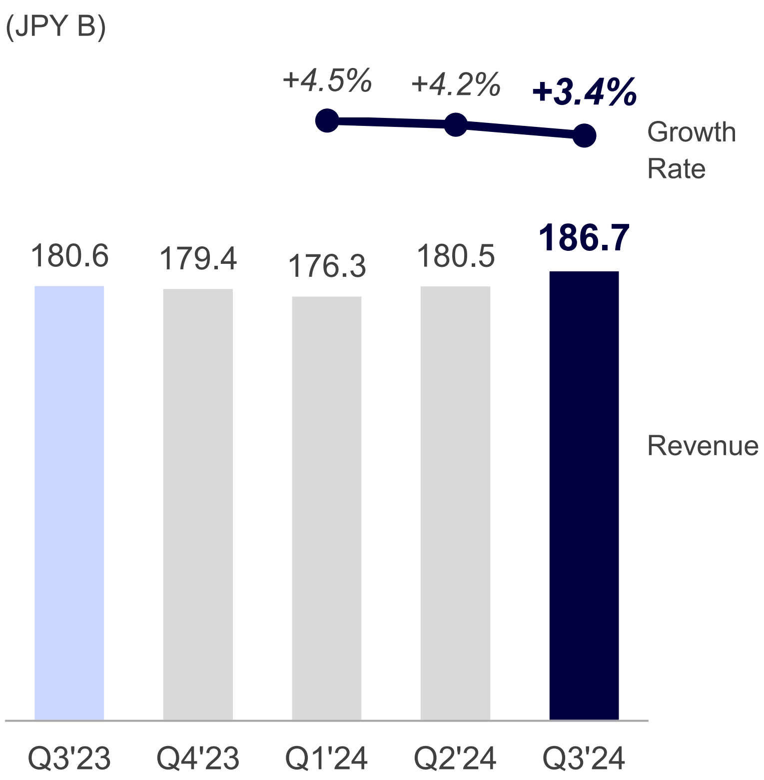
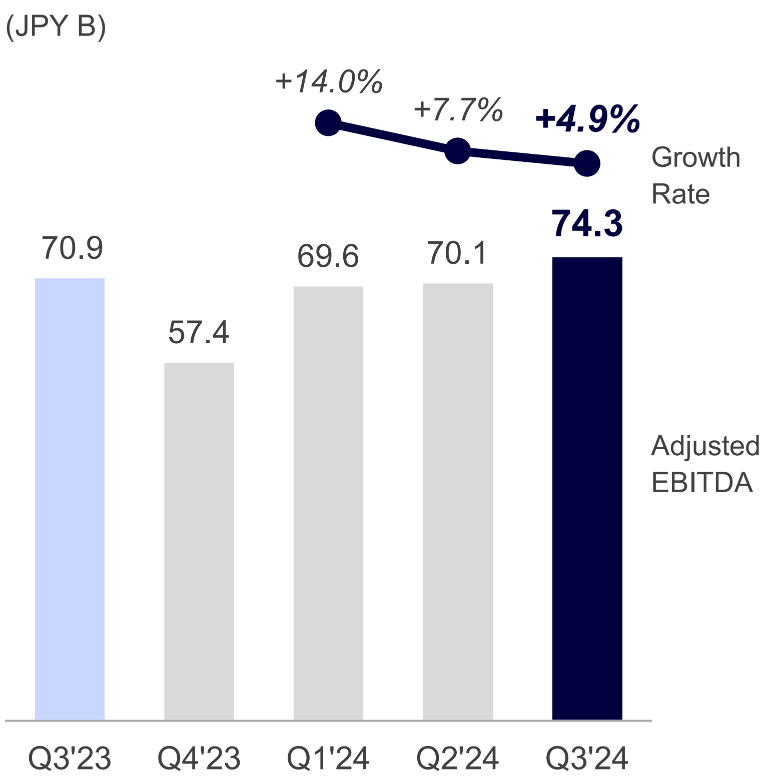
Media Business – Performance

- **Growth in account advertising increased revenue and profit; margin maintained same level as the previous fiscal year/previous quarter.**

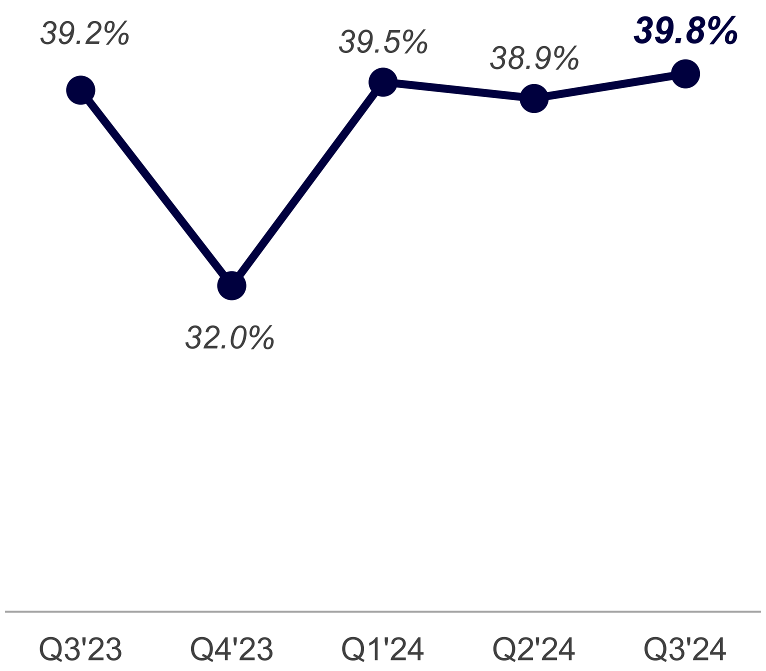
Revenue/YoY Growth Rate[1, 2, 3]



Adjusted EBITDA/YoY Growth Rate[1, 2, 3]



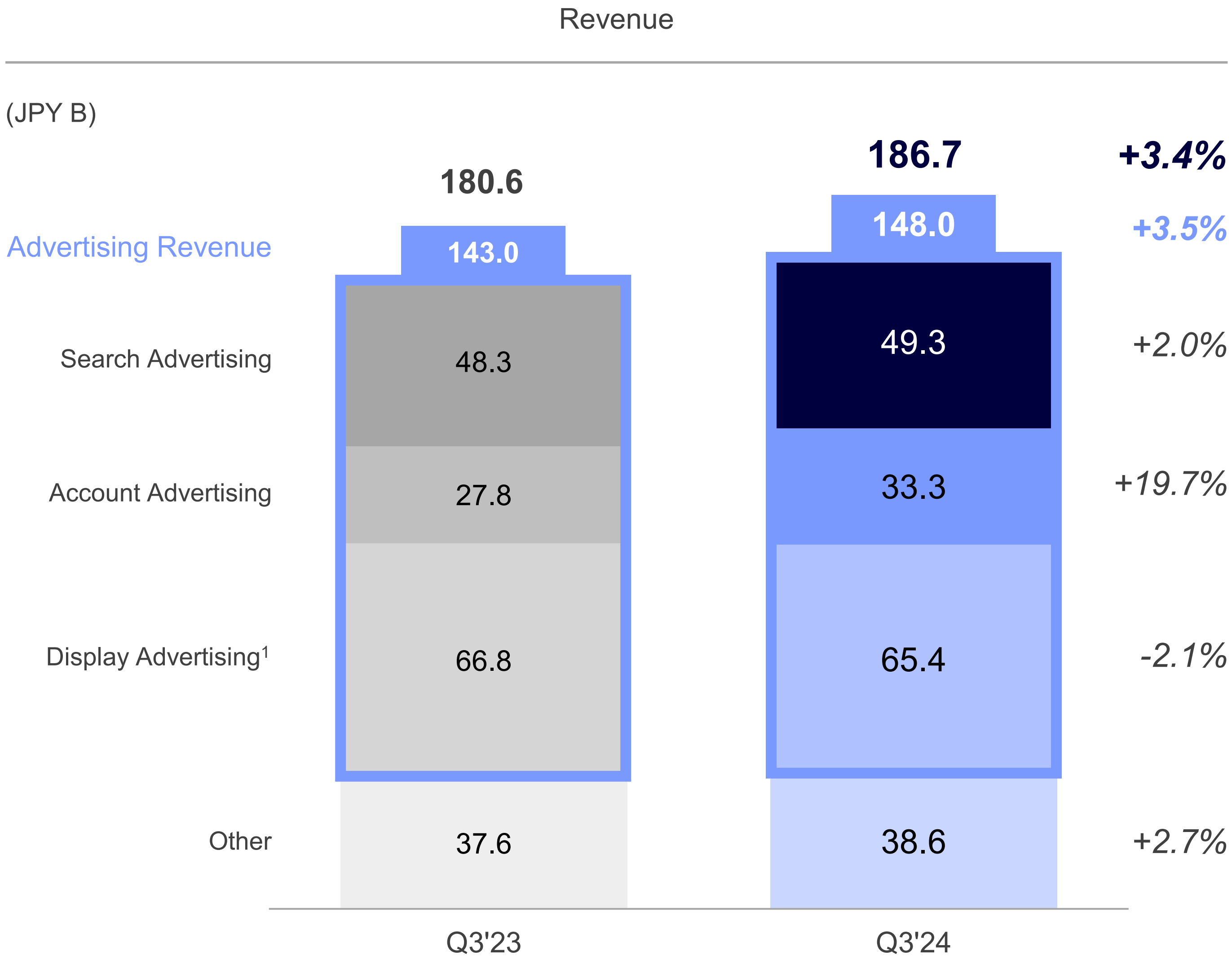
Adjusted EBITDA Margin[1, 2, 3]



1. In FY2023 Q3, membership service business was transferred from Commerce Business to Media Business. In addition, email service was transferred from Other to Media Business. As a result, figures for FY2022, FY2023 Q1, and FY2023 Q2 have been retroactively revised.
2. 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.
3. In FY2024 Q3, Ikyu.com for Restaurants and PayPay Gourmet services were transferred from Media Business to Commerce Business. As a result, figures for FY2023, FY2024 Q1, and FY2024 Q2 have been retroactively revised.

Media Business – Revenue

- **Account advertising continues to grow; advertising revenue increased by +3.5% YoY.**



Entire Group total advertising revenue: +JPY9.8 billion

Search advertising: +JPY0.9 billion

- YoY growth of LY Corporation's website increased +1.4% YoY, while partners' websites increased +4.0% YoY.

Account advertising: +JPY5.4 billion

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

Display advertising: -JPY1.3 billion

- LINE Ads performed well, especially in the Home tab, etc., but was slightly weaker in the chat list and news sections. Yahoo! JAPAN Ads was affected by decreased demand in certain industries.

Other: +JPY1.0 billion

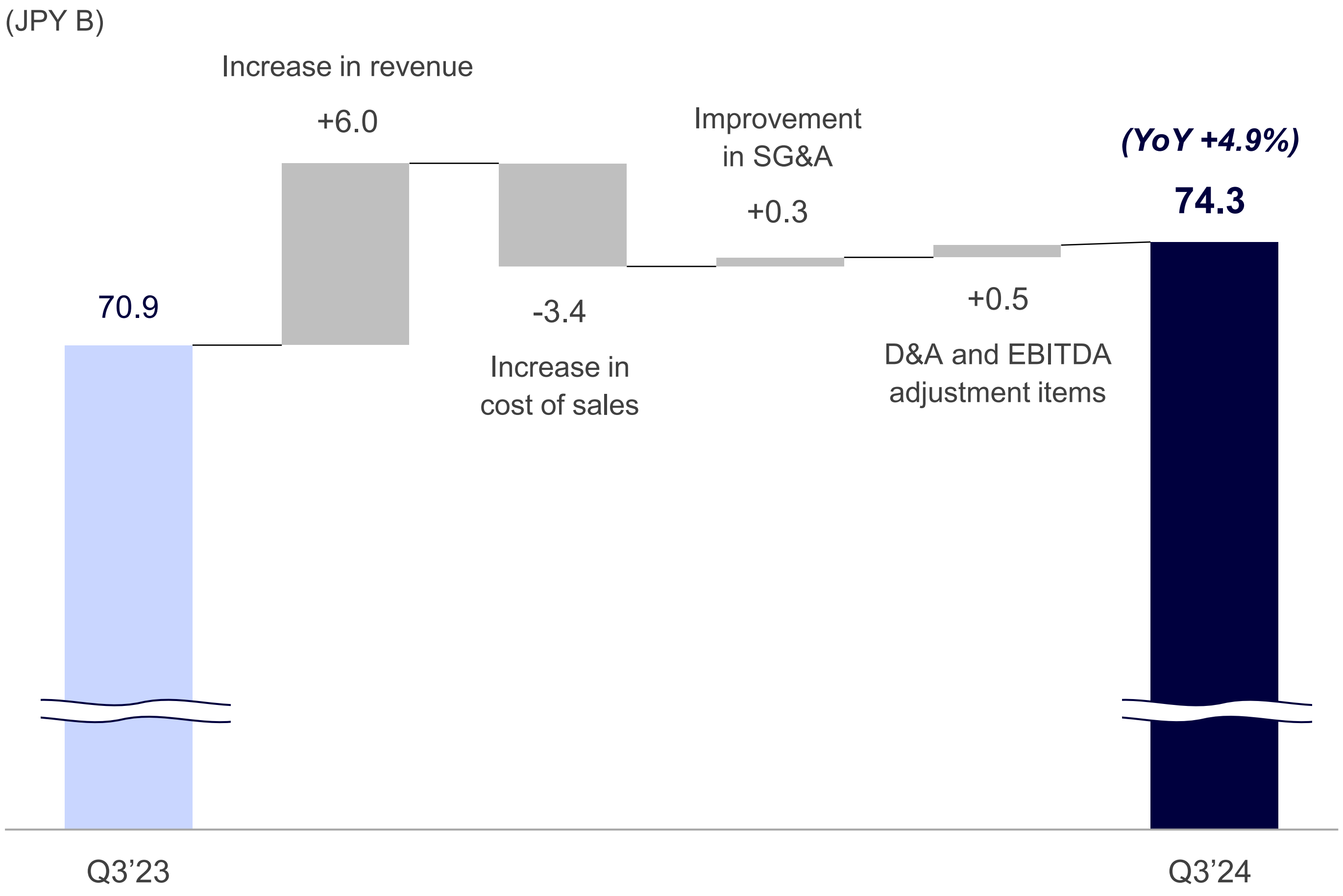
- LYP Premium and LINE Stickers revenue increased.

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

Media Business – Performance

- **Profit increased as a result of continued revenue growth and cost control.**

Factors of Change in Adjusted EBITDA[1]



Cost of sales: +JPY3.4 billion

- Increased mainly in ebookjapan, dely, and LINE Stickers.

SG&A: -JPY0.3 billion

- Sales promotion costs/advertising & promotional expenses (-JPY0.1 B)
- Other SG&A (-JPY0.1 B)

D&A and EBITDA adjustment items:

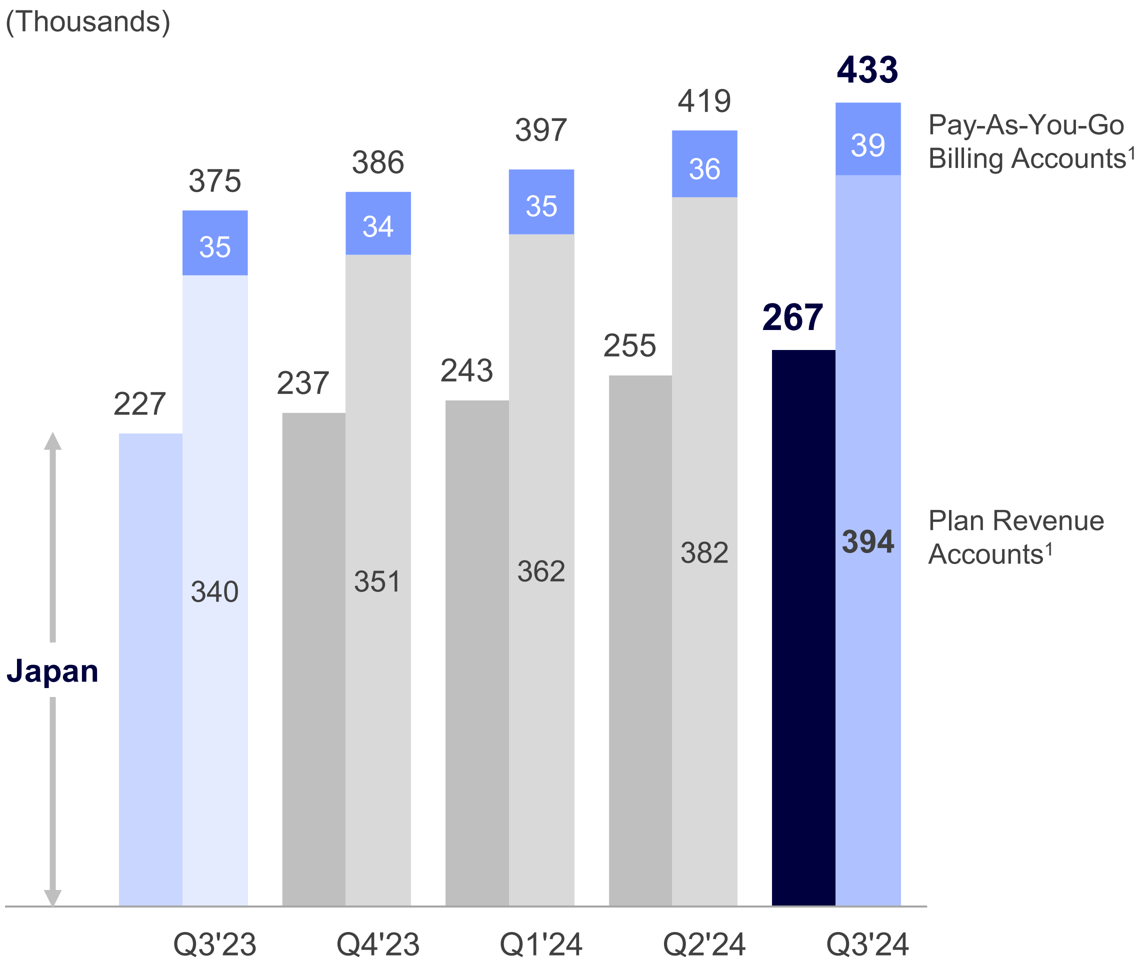
-JPY0.5 billion

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.

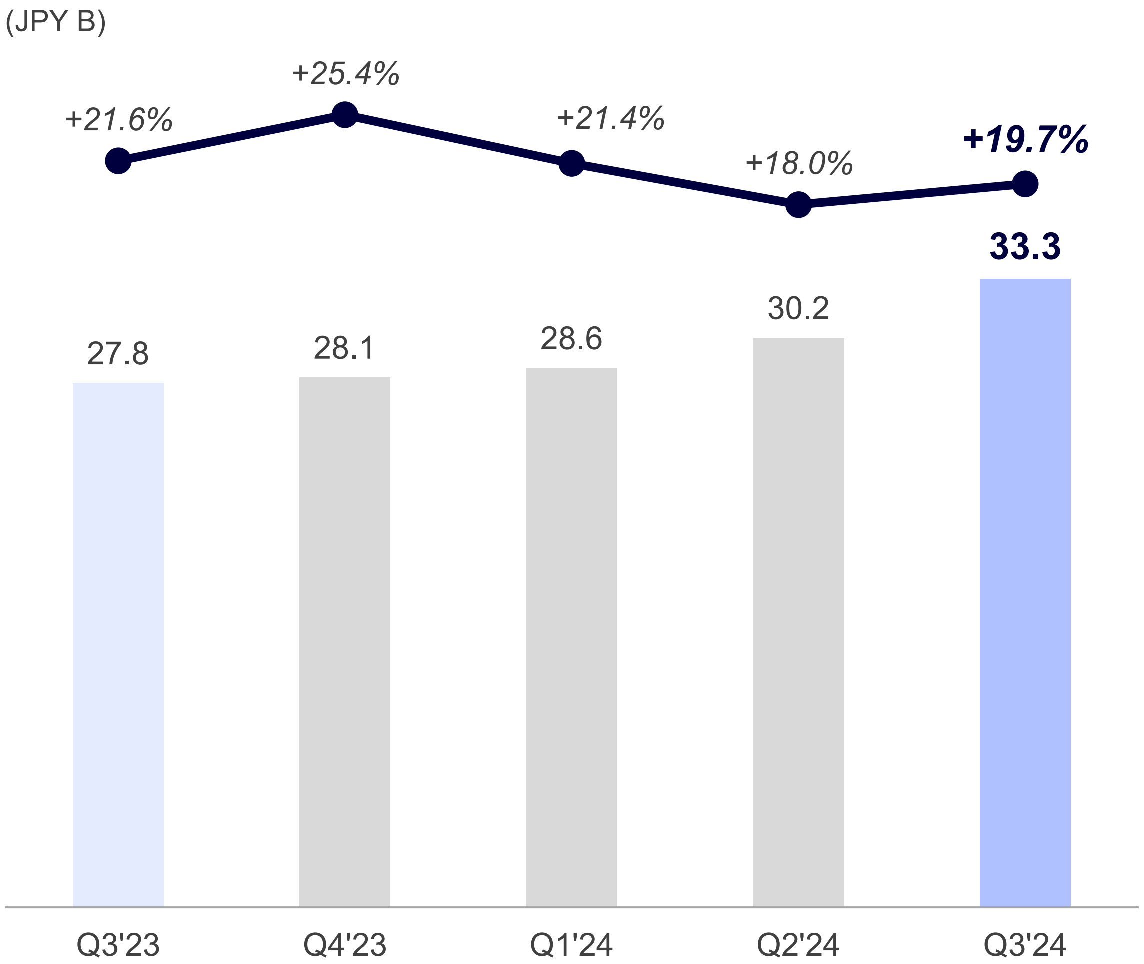
Account Advertising

- **Revenue increased steadily as a result of growth in the number of paid accounts and pay-as-you-go billing revenue.**

No. of Paid LINE Official Accounts (Global/Japan)[1]



Revenue

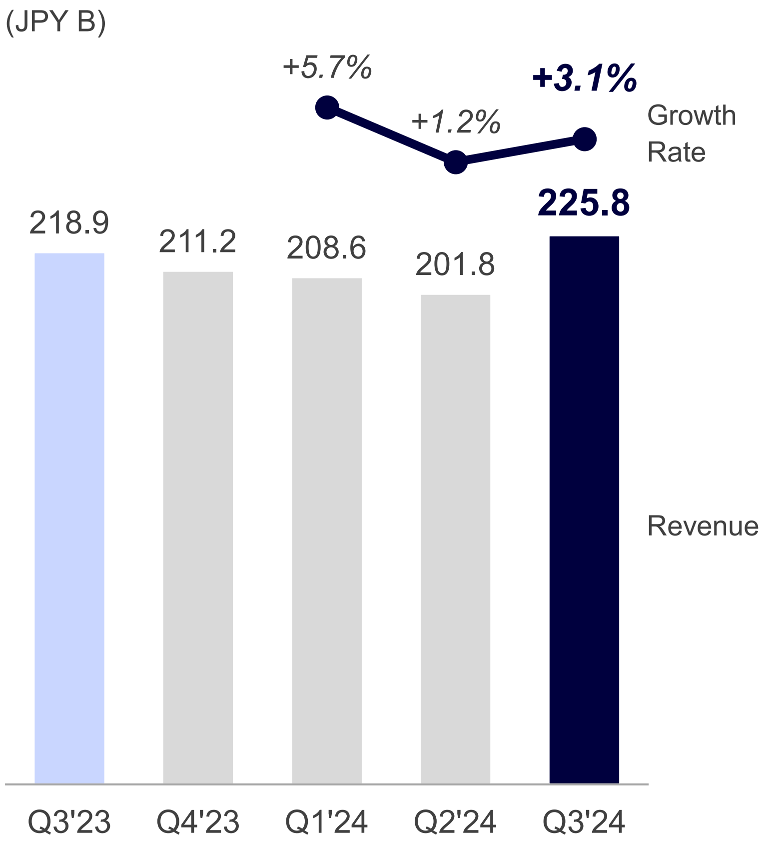


1. Figures provided are the number of paid accounts as of the end of each quarter. Revenue for pay-as-you-go billing accounts comes from pay-as-you-go billing, while plan revenue accounts generate revenue exclusively from monthly fixed fees.

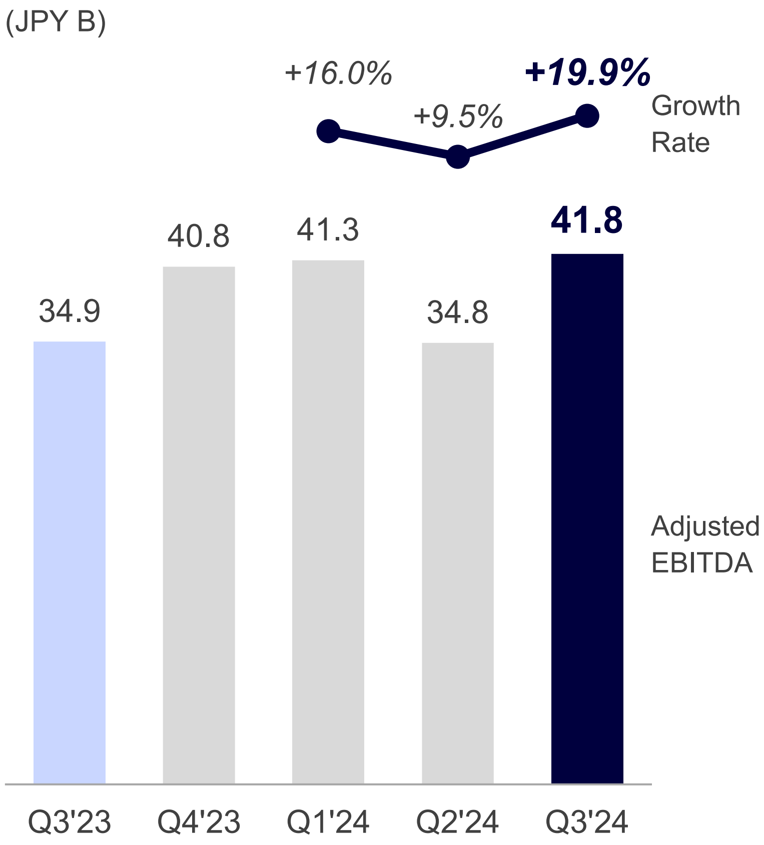
Commerce Business – Performance

- **Revenue growth across each product resulted in a +19.9% YoY profit increase, with margins also improving YoY.**

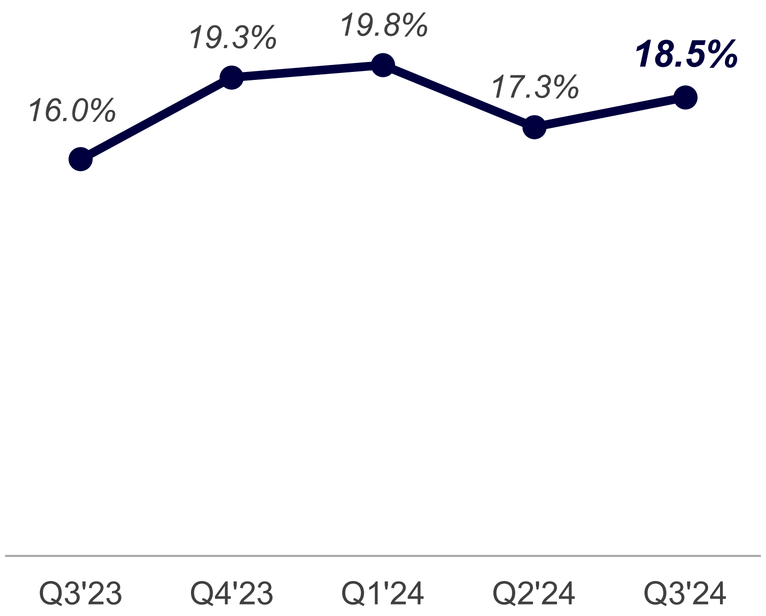
Revenue/YoY Growth Rate[1, 2, 3]



Adjusted EBITDA/YoY Growth Rate[1, 2, 3]



Adjusted EBITDA Margin[1, 2, 3]

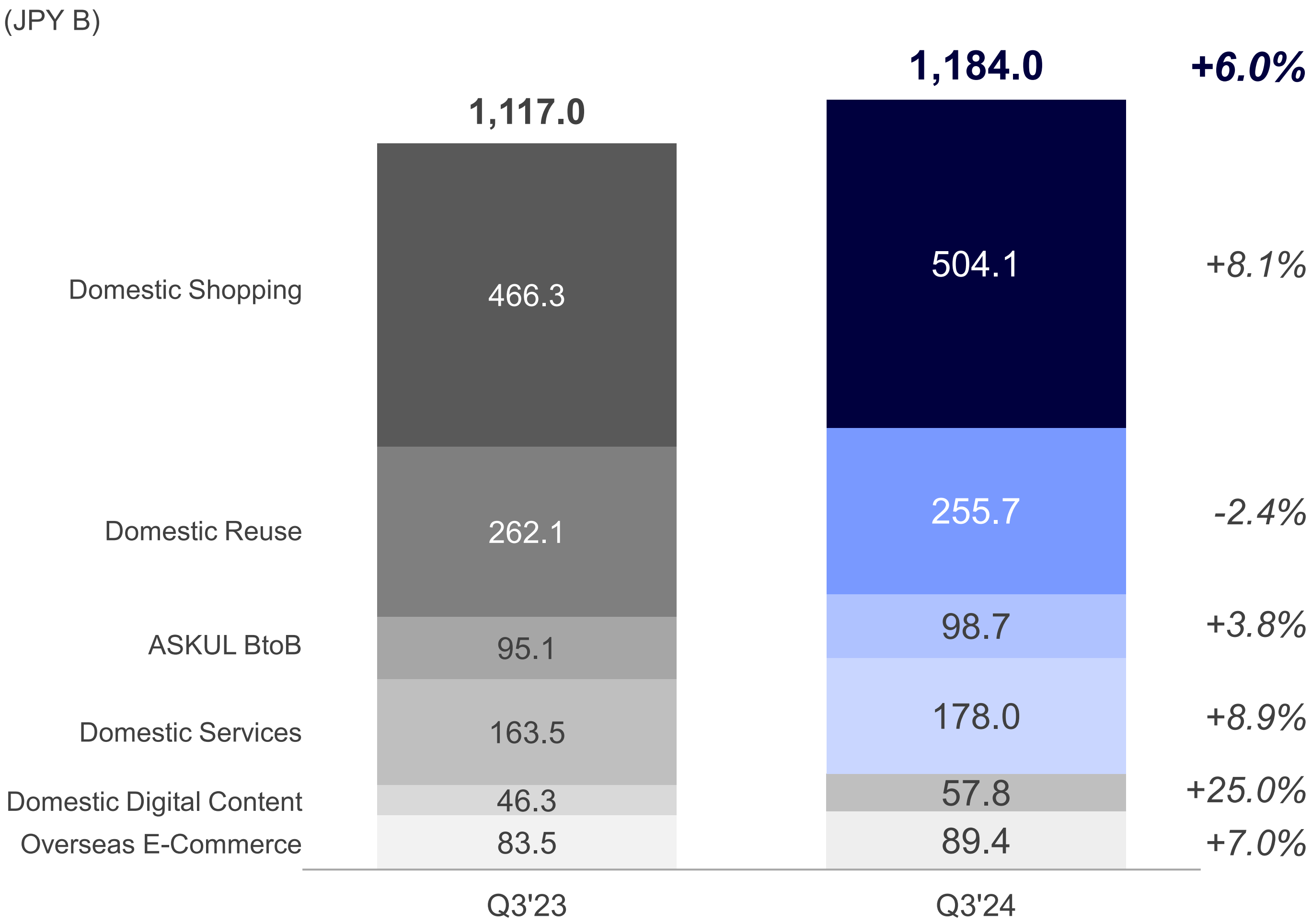


1. In FY2023 Q3, membership service business was transferred from Commerce Business to Media Business. In addition, email service was transferred from Other to Media Business. As a result, figures for FY2022, FY2023 Q1, and FY2023 Q2 have been retroactively revised.
2. In FY2023 Q3, personnel expenses 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.
3. In FY2024 Q3, Ikyu.com for Restaurants and PayPay Gourmet services were transferred from Media Business to Commerce Business. As a result, figures for FY2023, FY2024 Q1, and FY2024 Q2 have been retroactively revised.

Commerce Business – Transaction Value

- **Yahoo! JAPAN Shopping grew by +9.5% YoY, while travel grew by +25.1%YoY.**

Entire Group – E-Commerce Transaction Value[1]



Domestic shopping business: +JPY37.7 billion

- Yahoo! JAPAN Shopping's transaction value grew by +9.5% YoY as a result of factors such as sales promotional measures implemented mainly in November and December, which generated a favorable outcome, and the launch of Yahoo! JAPAN Hometown Tax in December, which increased the number of users and order unit price.

Domestic reuse business: -JPY6.3 billion

- Yahoo! JAPAN Flea Market's transaction value achieved a strong result with double-digit YoY growth, but Yahoo! JAPAN Auction's transaction value decreased YoY due to a lack of growth in the number of successful bidders.

Domestic services e-commerce: +JPY14.4 billion

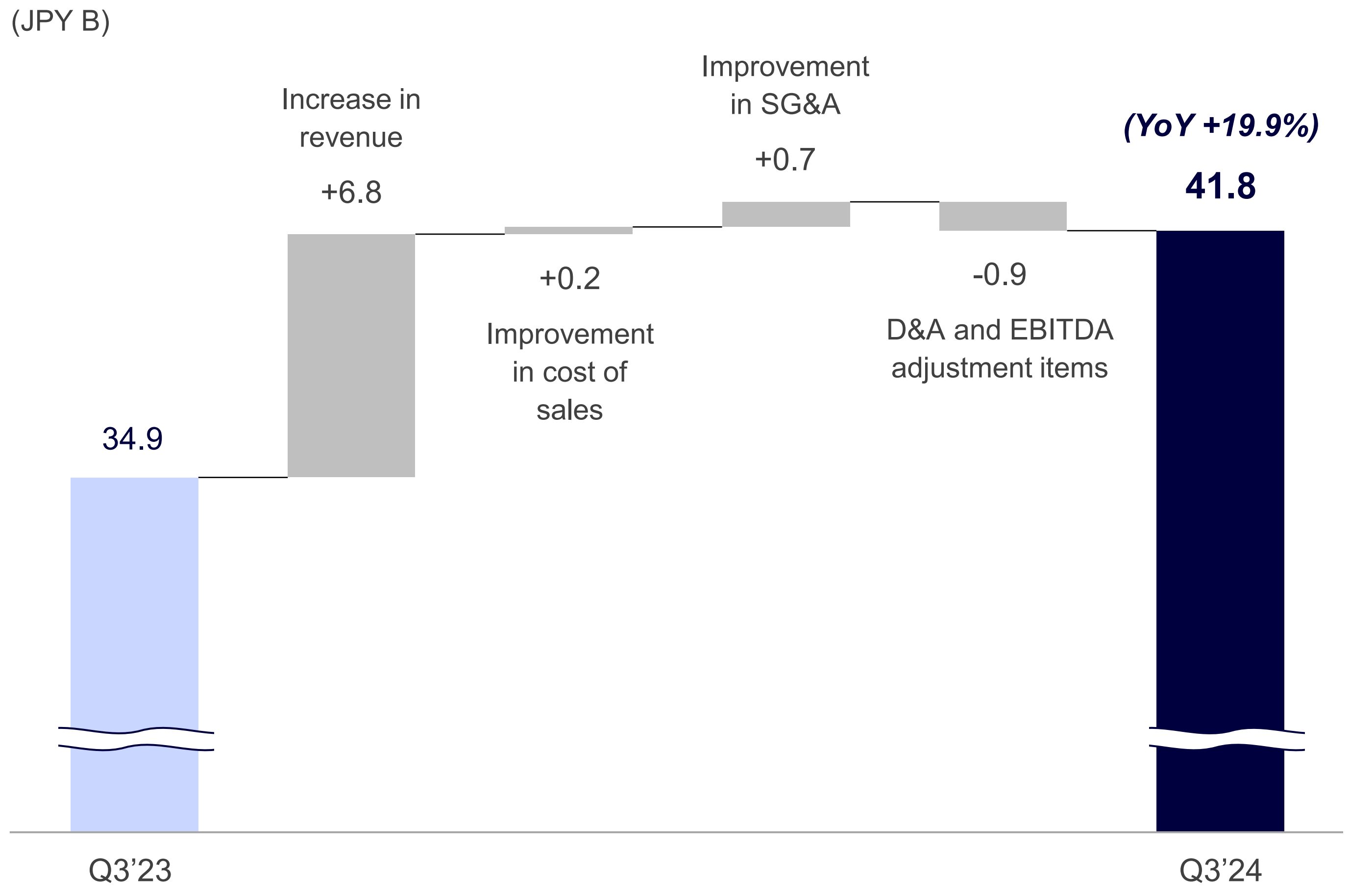
- Travel recorded a growth of +25.1% YoY as a result of an increase in the number of reservations.

1. Please refer to P.25 of the Appendix for a definition of "transaction value."

Commerce Business – Performance

- **Profit increased as a result of revenue growth across each product.**

Factors of Change in Adjusted EBITDA[1]



Revenue: +JPY6.8 billion

- Increased as a result of growth in ZOZO, ASKUL, Yahoo! JAPAN Shopping, reuse, and travel businesses.

Cost of sales: -JPY0.2 billion

- Improved due to deconsolidation of ValueCommerce and IPX, although cost of sales increased in ASKUL.

SG&A: -JPY0.7 billion

- Sales promotion costs/advertising & promotional expenses (+JPY1.7 B): Increased mainly in sales promotional expense for Yahoo! JAPAN Shopping and travel businesses.
- Other SG&A (-JPY2.4 B): Improved mainly due to deconsolidation of ValueCommerce and IPX.

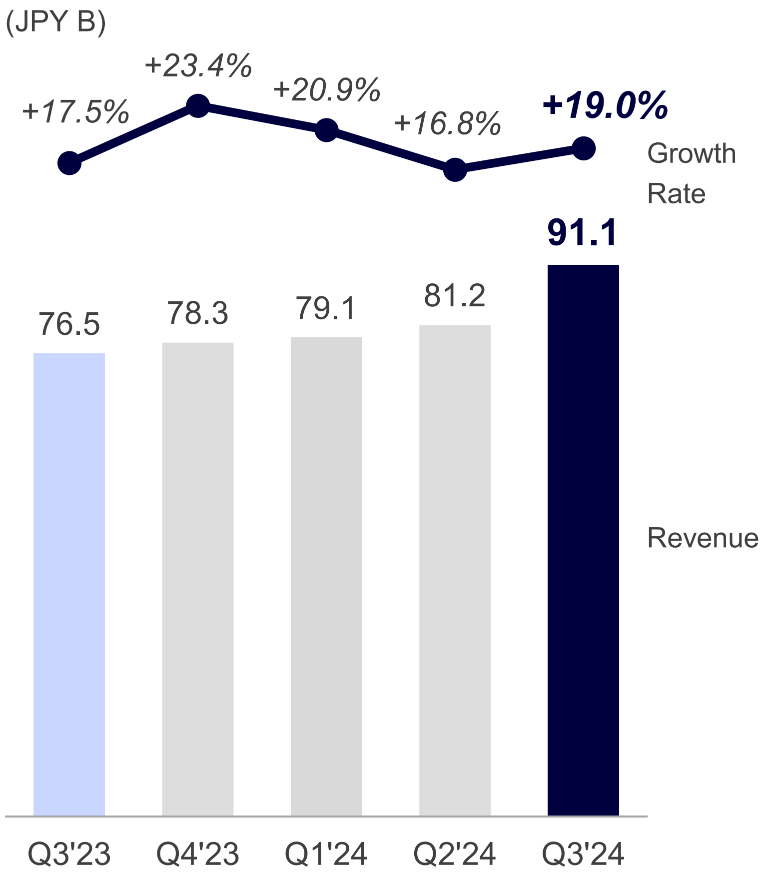
D&A and EBITDA adjustment items: +JPY0.9 billion

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.

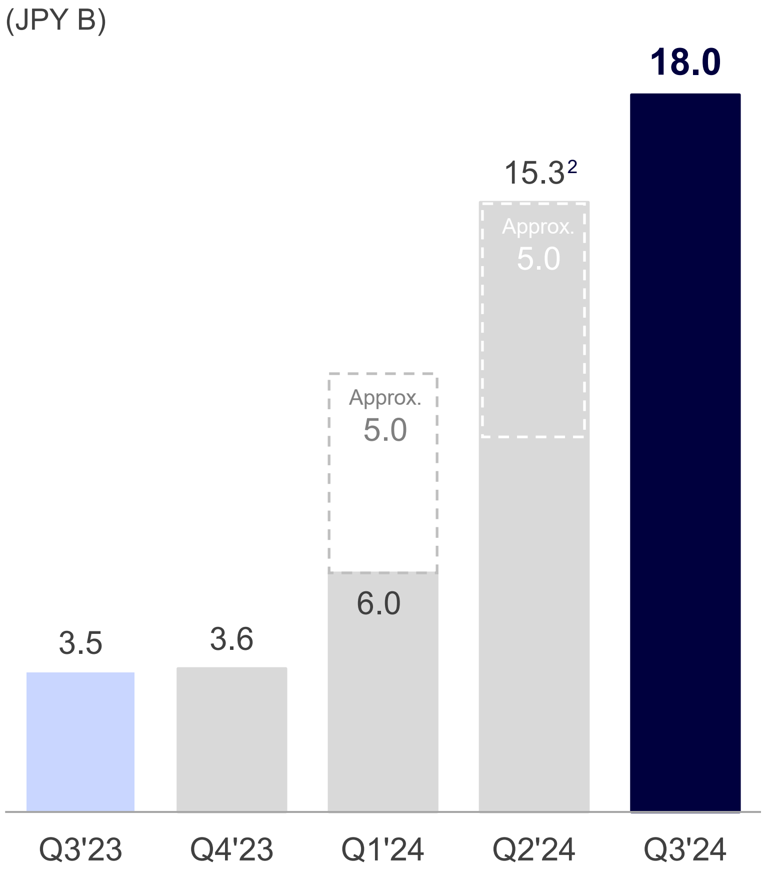
Strategic Business – Performance

- **PayPay Consolidated drove revenue and profit growth, and margins also showed significant YoY growth.**

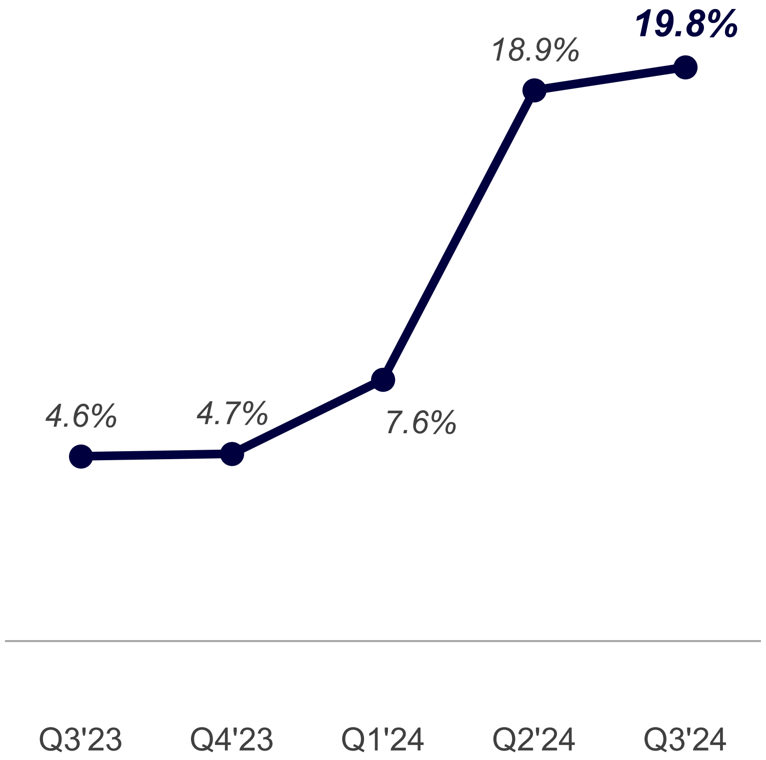
Revenue/YoY Growth Rate[1]



Adjusted EBITDA[1, 2]



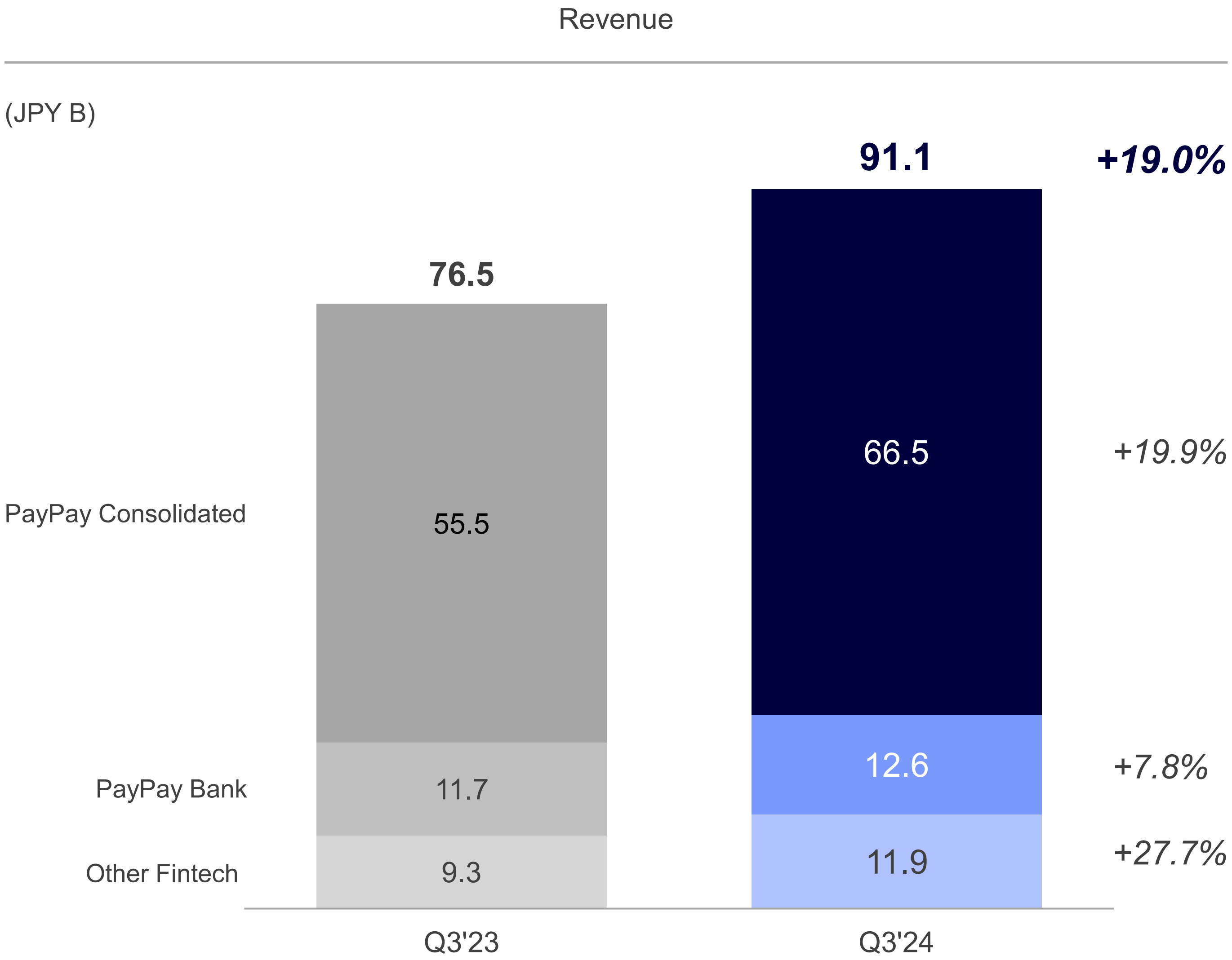
Adjusted EBITDA Margin[1, 2]



1. 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.
2. Security countermeasures and other expenses, which were recorded in Strategic segment in FY2024 Q1, has been changed to Adjustments (Company-wide expenses) in FY2024 Q2. Consequently, said security countermeasure expenses, etc. recorded in FY2024 Q1 has been reallocated to Adjustments in FY2024 Q2 and the adjusted EBITDA of the Strategic Business for FY2024 Q2 increased by approximately JPY5.0 billion.

Strategic Business – Revenue

- **PayPay Consolidated achieved approx. 20% YoY growth, while other fintech businesses achieved +27.7% YoY growth.**



PayPay Consolidated: +JPY11.0 billion

- Revenue from payment fees increased along with growth of consolidated GMV as a result of marketing campaigns and other factors, while interest revenue from revolving payment balances also grew.

PayPay Bank: +JPY0.9 billion

- Loan balance increased due to steady growth of mortgages, resulting in revenue growth.

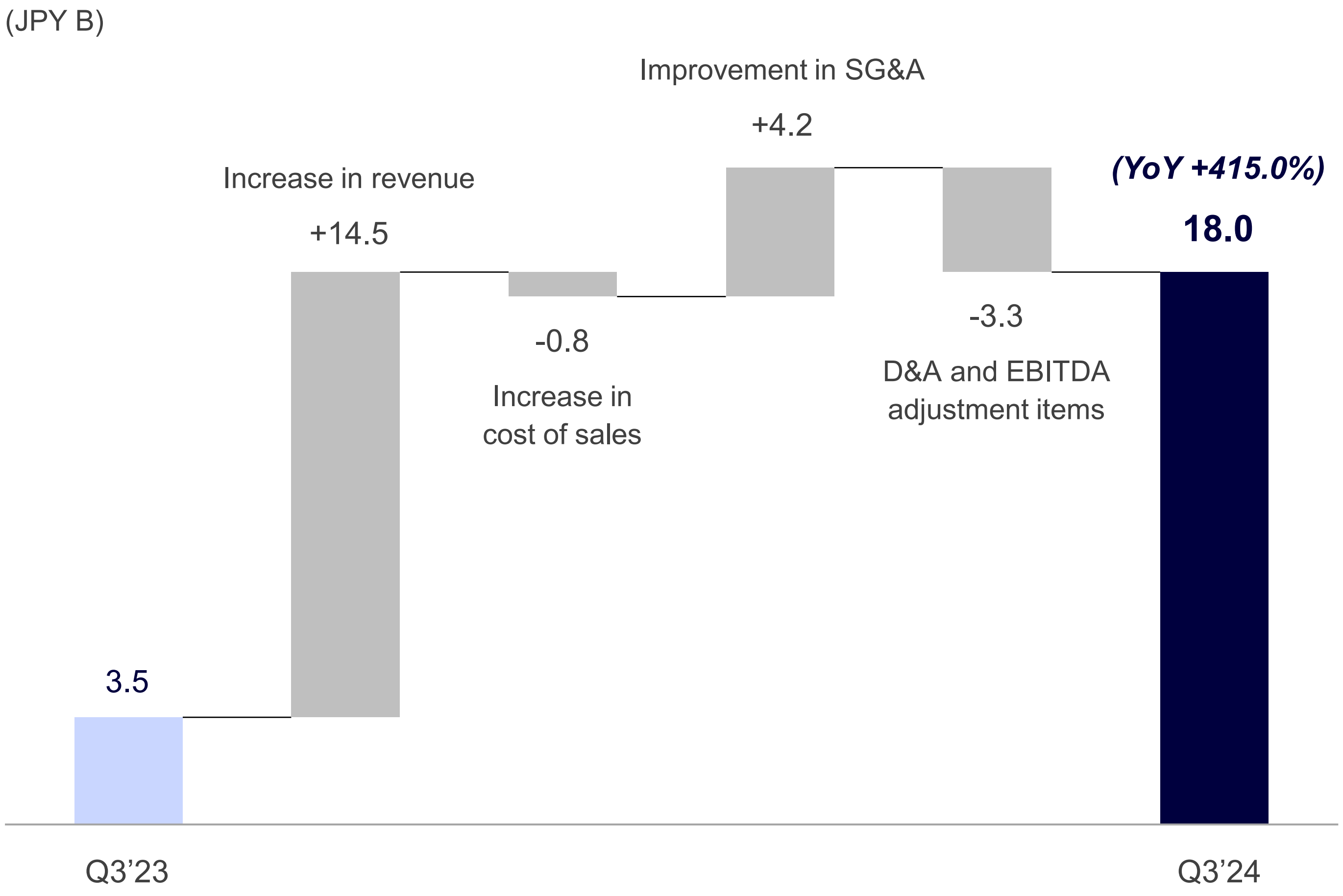
Other Fintech: +JPY2.5 billion

- LINE Pay Taiwan's revenue increased as a result of steady expansion of its business.
- LINE Credit's revenue increased as a result of increase in loan balances.

Strategic Business – Performance

- **Revenue growth and improvement in SG&A resulted in a profit increase.**

Factors of Change in Adjusted EBITDA[1]



Cost of sales: +JPY0.8 billion

- Increased mainly in PayPay Bank due to higher procurement costs resulting from interest rate hikes.

SG&A: -JPY4.2 billion

- Sales promotion costs/advertising & promotional expenses (-JPY0.2 B)
- Other SG&A (-JPY4.0 B): Decreased mainly in depreciation, amortization, and business commissions.

D&A and EBITDA adjustment items: +JPY3.3 billion

- Decreased mainly in depreciation and amortization.

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.

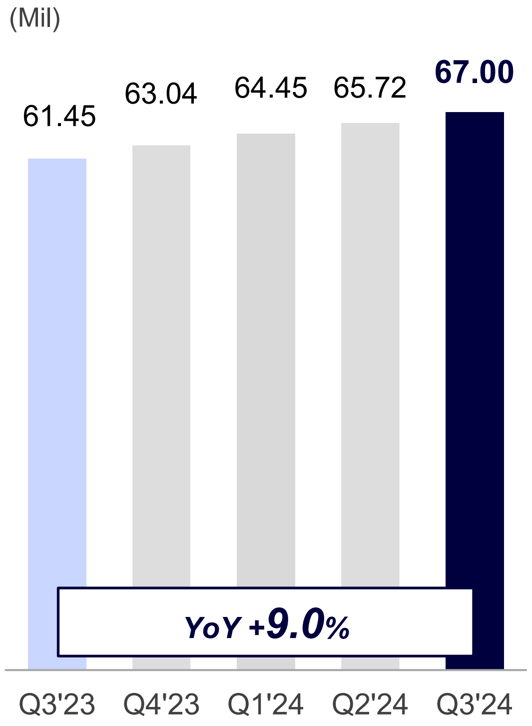
Strategic Business

PayPay Consolidated Business Overview

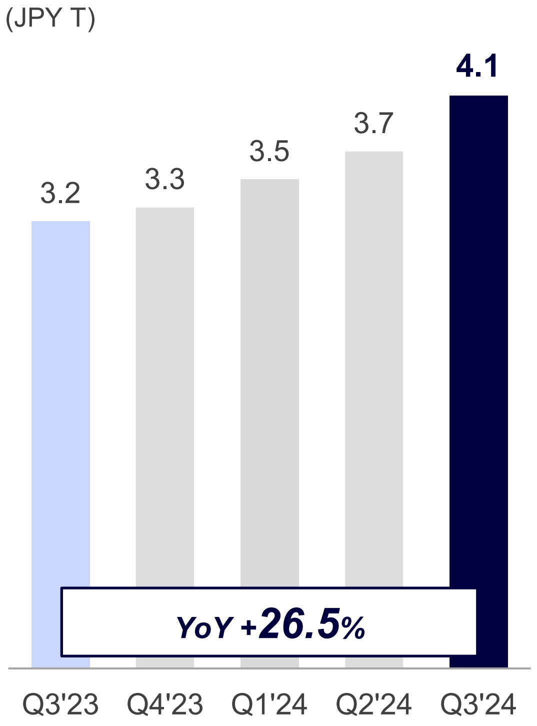
PayPay

- **Profit surged due to growth in consolidated GMV from marketing campaigns as well as cost optimization.**
- **Going forward, will further expand the financial business by strengthening collaboration with PayPay Bank.**

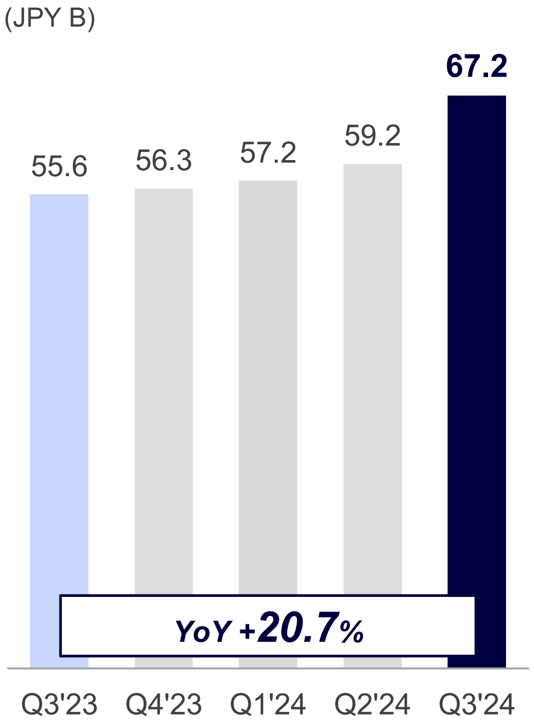
No. of Registered Users[1]



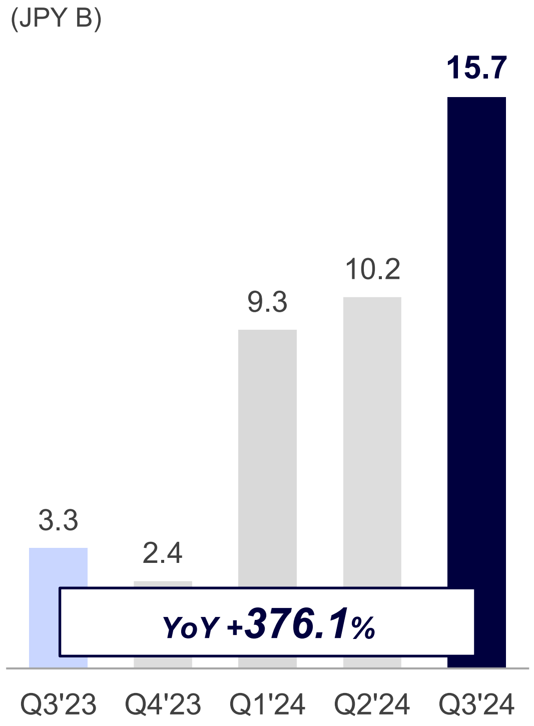
GMV (Consolidated)[2, 3]



Revenue (Consolidated)[4]



EBITDA (Consolidated)[5]



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. IFRS. Non-audited.
5. EBITDA is calculated by adding depreciation and amortization and loss on retirement of fixed assets to operating income, IFRS. Non-audited.

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Project Overview

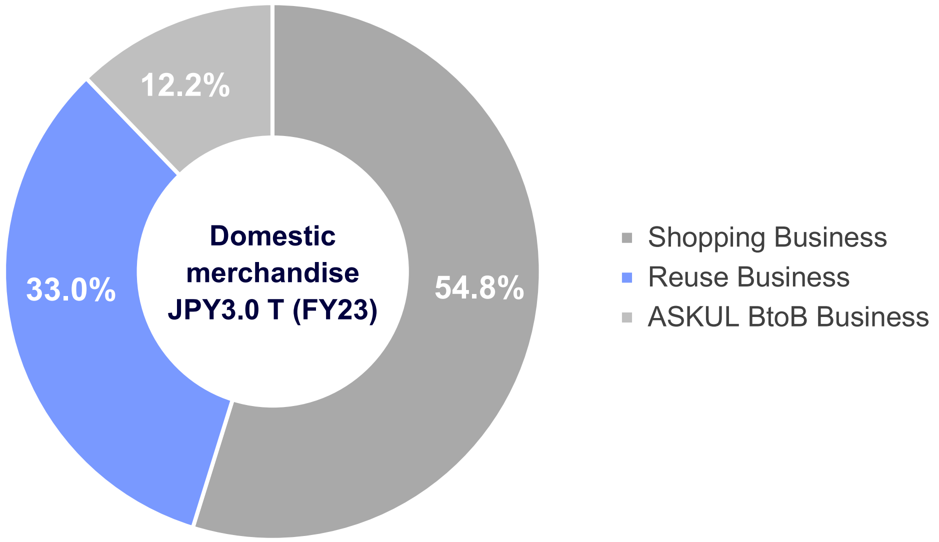
Target Company	**BEENOS Inc.** (Code: 3328 TSE Prime)
Method	Tender offer of common shares and share options (aiming to make the Target Company a wholly-owned subsidiary)
Tender Offer Price	• Approx. JPY54.0 B (planned) (Tender offer price: JPY 4,000 per share) • IRR is estimated to exceed 10%, surpassing the investment criteria.
Funds for Purchase	Acquisition funds will be allocated from LY Corporation's own funds (i.e. buffer for additional investments and capital policy based on the Company's capital allocation policy).
Impact on Consolidated P/L	• Early profit growth from top-line growth and cost synergies of both parties after the acquisition. • An adjusted EPS contribution of +JPY0.15 is anticipated.
Schedule (Planned)	• December 19, 2024: Concluded a tender offer agreement with the Target Company • Plan to commence the tender offer once procedures pursuant to competition laws, etc. are completed (tender offer period is planned for 30 business days).

Reinforcing the Reuse Business

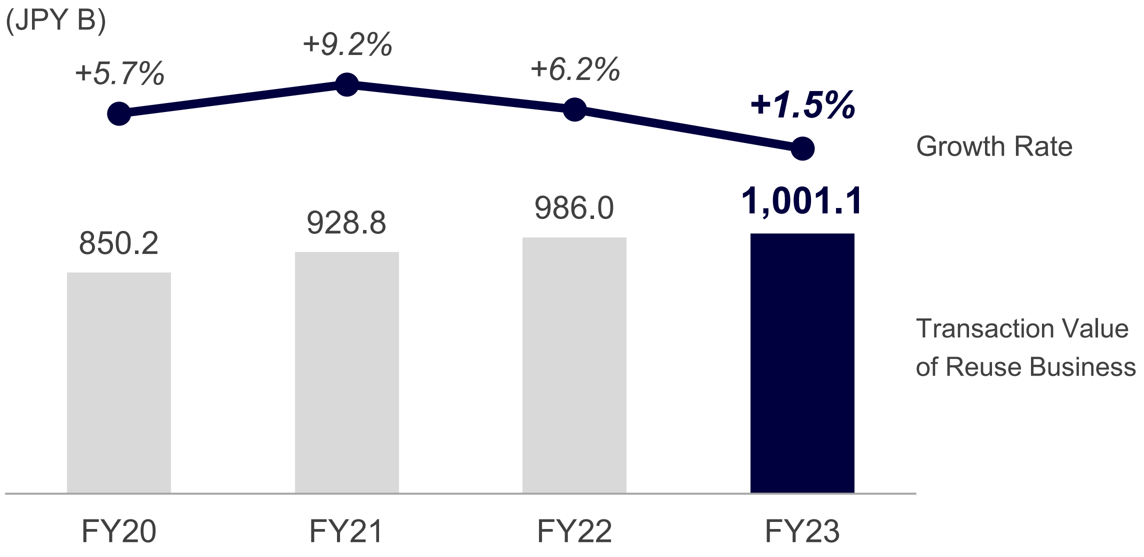
- **Although positioned as a core business with stable revenue, urgent efforts required for growth and expansion.**

Overview of the Reuse Business

Composition of Merchandise Transaction Value in Japan



Reuse Business Transaction Value



- **Reuse business is positioned as a core business with stable revenue within the Commerce Business.**
- **However, growth is slowing due to external conditions surrounding the reuse market (e.g., sluggish market growth) and increased competition.**
- **Profit margins of the market remains highly promising within the Commerce Business (Yahoo! JAPAN Auction's adjusted EBITDA margin exceeds 50%).**
- **Reinforcement of growth and expansion measures is urgently required through the prioritized allocation of management resources.**

Overview of the Reuse Market in Japan

- **LY Corporation is one of the leading players in the Japanese reuse market, which continues to grow.**

Overview of the Domestic Reuse Market[1]

(JPY T)

Online: 2.1

Offline: 1.2

LY Corporation's reuse business: 1.0

Total of several competitors: 1.1

YAHOO! JAPAN **Auction**

YAHOO! JAPAN **Flea Market**

- **The domestic reuse market has continued a high single-digit growth.**
- **Driven by tailwinds from inflation, changes in user consumption behavior, and expanding inbound demand, continued growth is expected.**
- **Additional growth drivers are required, although LY Corporation's reuse business is one of the leading players in Japan's online sector.**

1. The market size for 2023 is estimated based on The Reuse Economic Journal's "Reuse Market Databook 2024" and the reuse business transaction values of LY Corporation and other companies.

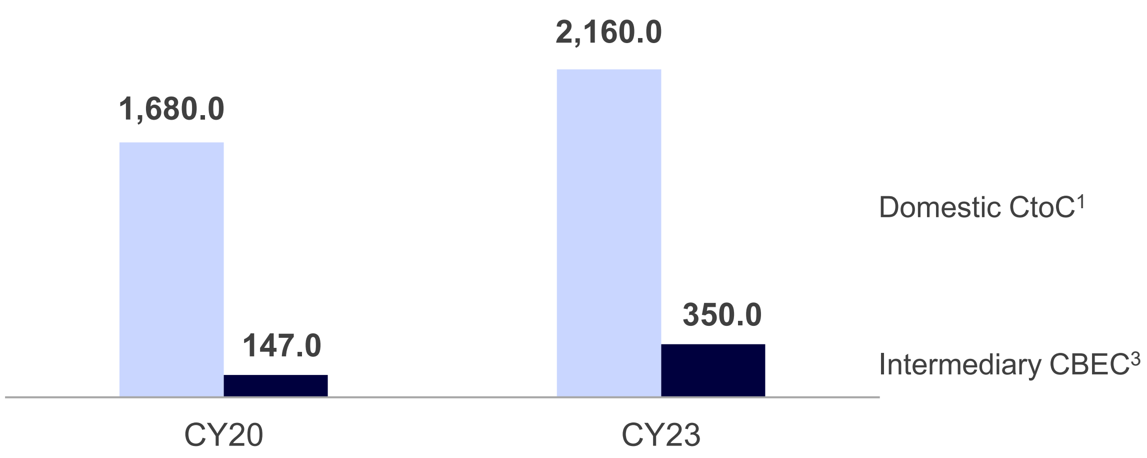
Overview of the Intermediary Cross-Border E-Commerce Market

- **Aiming to accelerate growth by expanding focus on intermediary cross-border e-commerce (CBEC), which continues to experience high growth.**

Japan's CtoC Market & Intermediary CBEC Market

(JPY B)

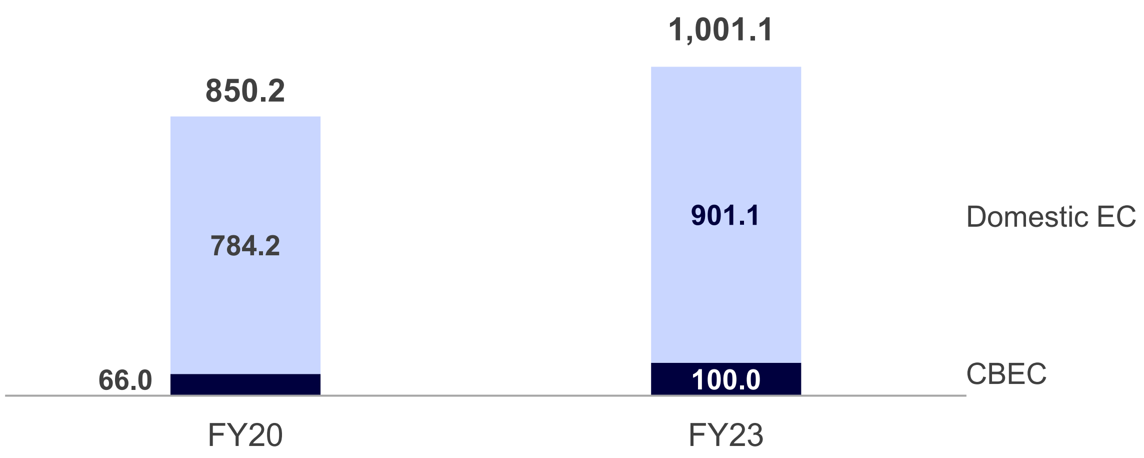
3-Year CAGR | **Domestic CtoC[1]: 9% < Intermediary CBEC[2]: 33%**



LY Corporation's Transaction Values of Reuse Business & CBEC

(JPY B)

CBEC Transaction Value 3-Year CAGR | **14.9%**



- **The intermediary CBEC market continues to grow faster than the domestic CtoC market.**
- **Continuous high growth of this market is expected due to the ongoing weak yen and expansion of the global reuse market.**
- **LY Corporation holds a competitive position in the intermediary CBEC market, with an increasing proportion of CBEC transaction value in its reuse business.**

1. Estimated based on the reuse business transaction values of LY Corporation and other companies, including the size of BtoC transactions made on CtoC platforms.
2. CAGR of BEENOS Inc,'s Global Commerce business from FY2020 to FY2023.
3. Estimated based on Yahoo! JAPAN Auction's sales performance, BEENOS Inc.'s financial reports, and interviews with industry insiders.

Overview and Strength of BEENOS Inc.

- **Aiming to capture market growth by acquiring BEENOS, which has a proven track record in the intermediary CBEC market.**

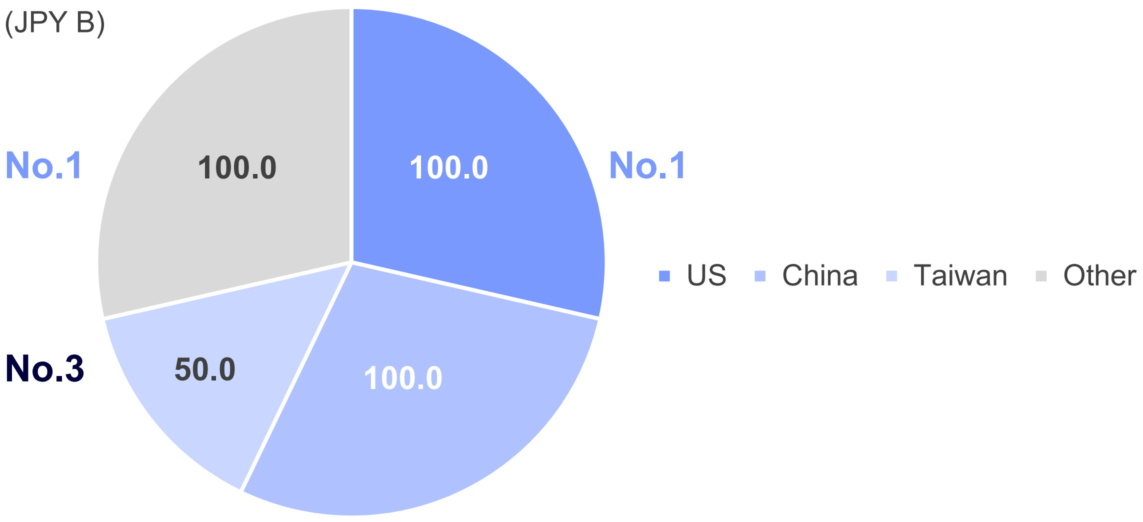
Overview of BEENOS Inc.

Name	BEENOS Inc.
Business Overview	• Global Commerce (CBEC) • Entertainment (digital transformation service for the entertainment industry, content-related business) • Incubation (investment in Japanese and overseas startups) • New businesses (platform that supports the employment of foreign nationals, etc.)
Main Services	• Buyee, tenso.com, Sekaimon, Groobee, etc.
Recent Financials (Entire Group)	• Net sales: JPY25.4 B (YoY -21.8%) • Operating profit: JPY2.4 B (YoY -46.7%) • Operating profit margin: 9.4% (YoY -4.4p)
Recent Financials (CBEC)	• Net sales: JPY14.5 B (YoY +20.7%) • Operating profit: JPY4.4 B (YoY +20.8%) • Operating profit margin: 30.3% (YoY +0.0p) • Take rate: 16.2%

BEENOS Inc.'s Strength in the Intermediary CBEC Market

No.1 annual GMV in intermediary CBEC among operators in Japan[1]

Intermediary CBEC Market Transaction Value by Region and BEENOS Inc.'s Position[2]



1. Based on a press release by BEENOS Inc. announced on August 2, 2023.
2. Estimated based on Yahoo! JAPAN Auction's sales performance, etc.

Anticipated Synergies

- **Synergies are expected through sales promotional efficiency and expansion of CBEC.**

Buyer

Buyee

(BEENOS)

Increase in CBEC

Organic growth of CBEC transaction value: CAGR 7% (forecast)

Target growth (FY24–28)

CBEC transaction value — Target CAGR level: 10%

Seller

YAHOO! JAPAN Auction

YAHOO! JAPAN Flea Market

Increase in no. of listings

Renewed growth of LY Corporation’s reuse business

Measures to Generate Synergies

- Implement sales promotional measures for overseas buyers
- Offer preferential sales commission measures for sellers
- Collaborate and acquire customers with LINE Taiwan and LINE Thailand

Impact on adjusted EPS — **Positive contribution from the first fiscal year**

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.

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LY

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