INTEGRATED REPORT PORTAL

Last updated: 09/28/2020

# Overview and Progress of Growth Strategies

## We are building a future as a home-grown platform operator with an unsurpassed understanding of Japanese users.

Throughout our history, our services have been based on a user-first philosophy. Our business scale and organization have changed over the years, but our commitment to the enhancement of service usability and the enrichment of people's lives has never altered. Because we believe that a deeper and more multifaceted understanding of our users' needs is essential to the fulfillment of this commitment, we are working to gain the best possible understanding about user needs by accumulating and using data. Ultimately we aim to be the home-grown Japanese platform operator with the best understanding of Japanese users.

IT giants from the United States and China have rapidly expanded their presence in Japan in recent years. We are alarmed by this trend, which could eventually overwhelm Japanese Internet companies. That is why we are working through the measures outlined below to build more robust and flexible organizational infrastructure as the foundation for determined efforts to build our own future through our own efforts.

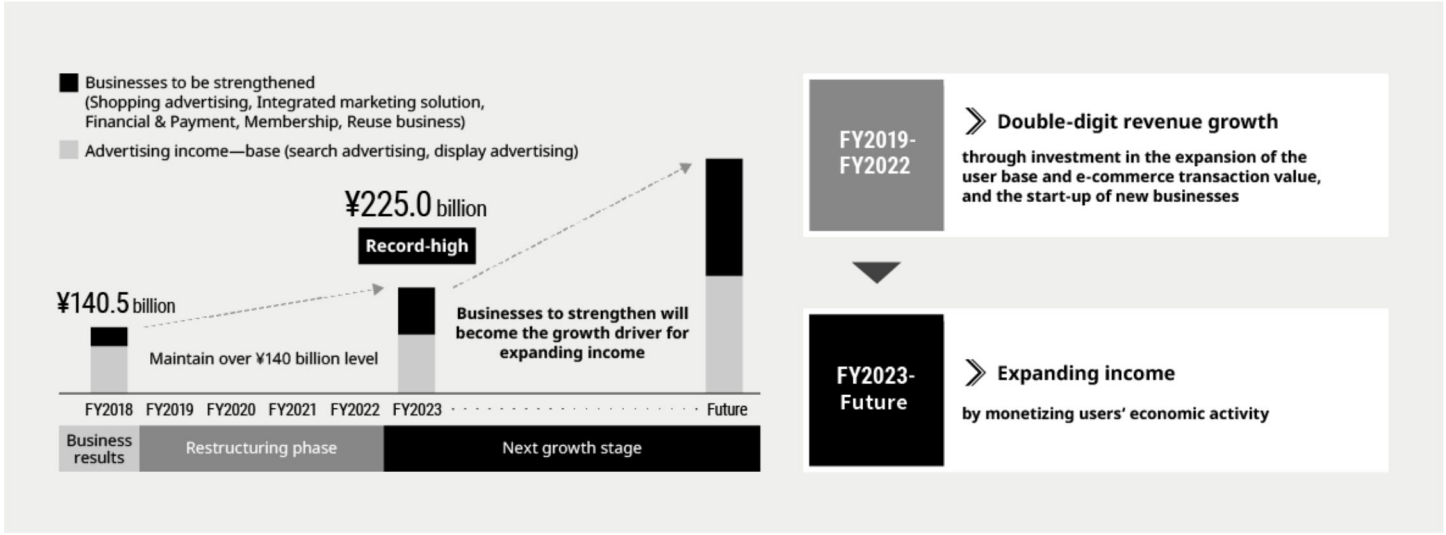
### Medium- to Long-Term Growth Strategies

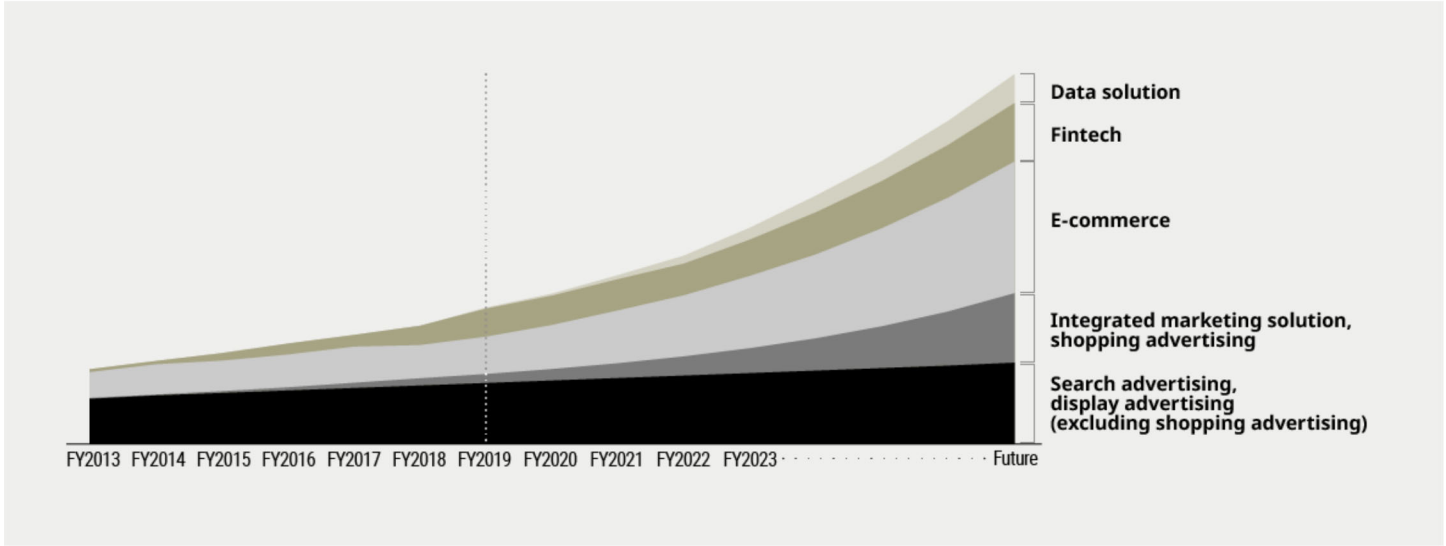
## We aim to achieve double-digit revenue growth by creating and expanding a multilayer revenue structure through the integration of online and offline data.

Z Holdings Group has set a medium- to long-term target of achieving record profit in fiscal 2023. An essential step toward the achievement of this target will be the integration of online and offline data.

One of the strengths of the Z Holdings Group is our ability to provide seamless access to a wide range of services, including search, media, commerce, and payments. The PayPay user base has expanded since the launch of the service in fiscal 2018, leading to the development of a structure that will enable us to understand the offline as well as online behavior of users through their Yahoo! JAPAN IDs (subject to user consent). By analyzing user preferences and actions across the online-offline boundary, we will be able to enhance the usability of our services, provide a better response to user needs, and create and expand a multilayered revenue structure.

We will continue to use information technology to create a future that only we can build. Our goal is to become an essential presence in every facet of life by helping people to enjoy more convenient lifestyles.




## Monetizing through new value creation

- **Integrated marketing solution**
- **E-commerce based on the use of PayPay**
- **Scenario finance**
- **Data solution**

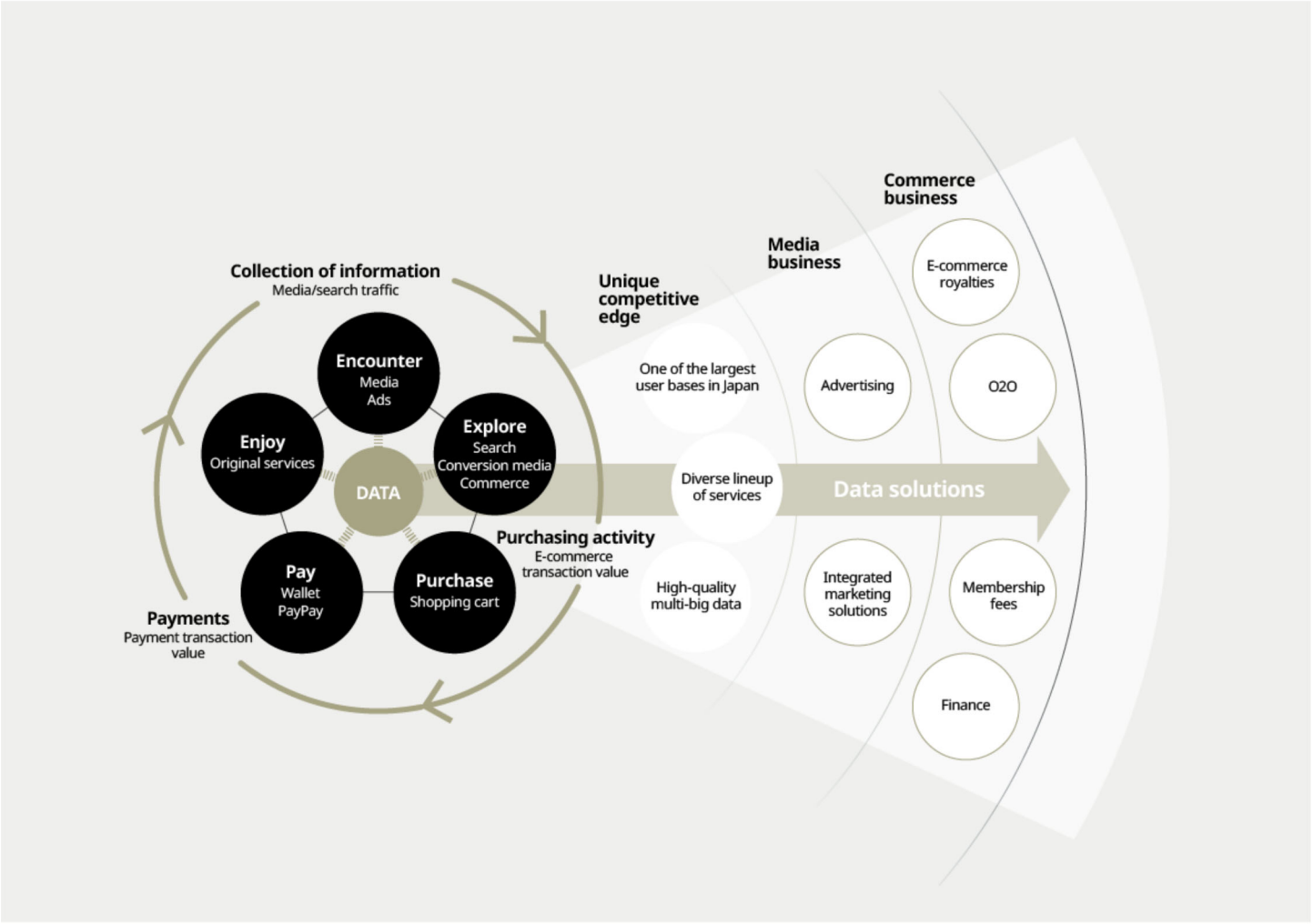
## Organizational changes designed to leverage our business portfolio, and the proposal of new services based on cross-segment analysis of user information

In fiscal 2019, we implemented a series of organizational restructuring initiatives designed to enhance our future growth potential. In June 2019 we transitioned to a new structure as a consolidated subsidiary of SoftBank Corp. In October we renamed the company Z Holdings Corporation and adopted a holding company structure. In November we acquired ZOZO, Inc. as a consolidated subsidiary and announced a business integration with LINE Corporation.

Going forward, we will use these changes to build a foundation on which to leverage our diverse business portfolio. By diversifying the companies and services within the group, we can mitigate the impact of changes in the external environment on the group as a whole.

We will also integrate user information obtained through our various services and perform multi-faceted analysis of user actions. This will enhance the precision of personalized marketing*, giving us a unique advantage that competitors will be unable to match. It will also be an important driving force for the creation of highly original services. An example of this was the launch of four new solutions in fiscal 2019.

* A marketing technique designed to provide optimized services and content based on the attributes and behavior history of individual users

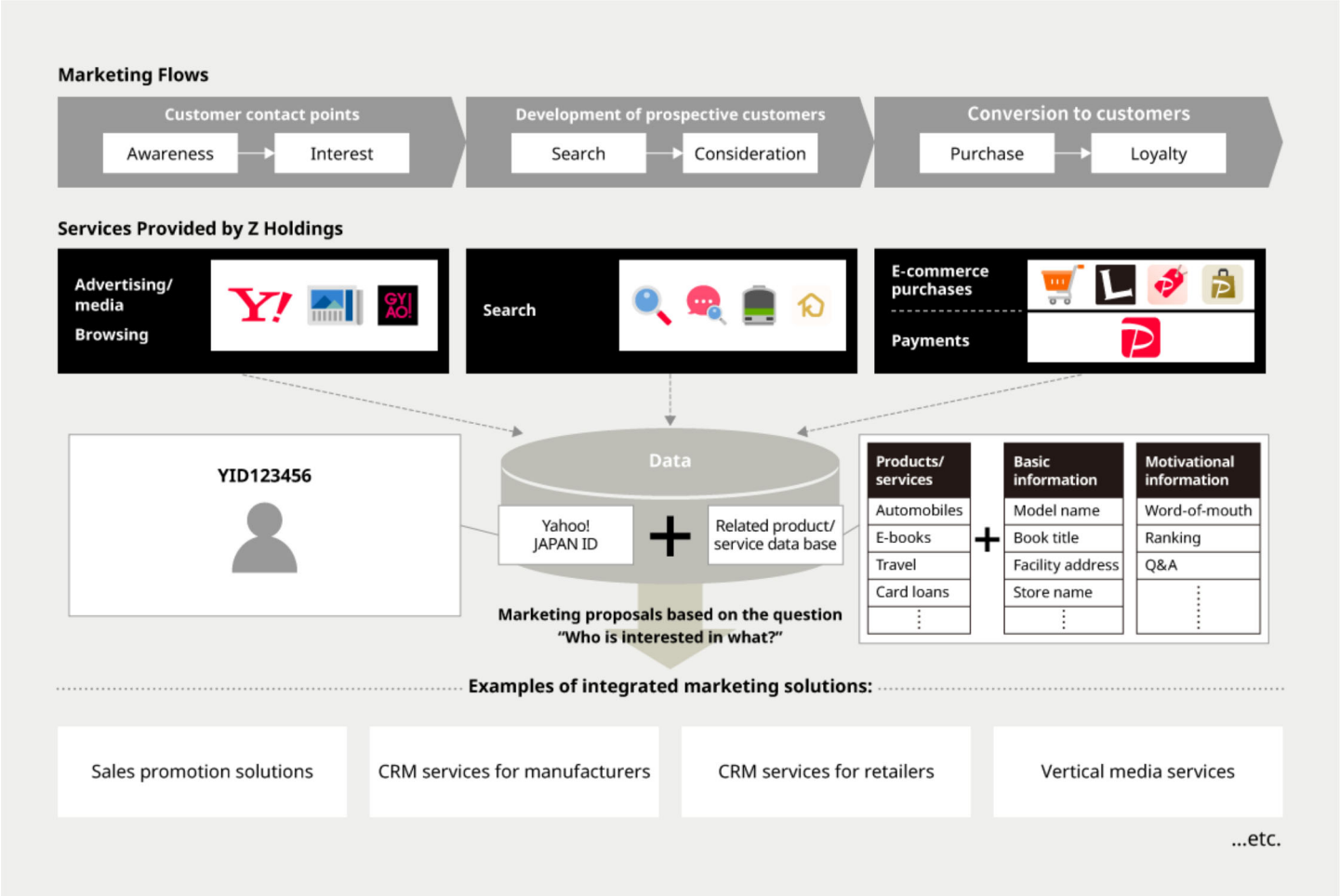



## Media: Integrated marketing solutions

Integrated marketing solutions are new initiatives designed to expand future advertising revenue. The aim is to visualize and maximize the effectiveness of user-targeted advertising by comprehensively understanding users' online and offline consumption behavior through Yahoo! JAPAN IDs. Using offline purchase data collected by PayPay, we launched "PayPay Consumer Gift" and "PayPay Retail Gift" in fiscal 2019 and began to implement them in cooperation with manufacturers of consumer goods, retail chains, and other organizations.

In fiscal 2020, we will further enhance the convenience of these services, while also developing new services. In addition, we will work to expand our sales channels by forming sales networks through distributors, and by raising awareness levels.

> Overview of Media Business




## Commerce: Expanding e-commerce transaction value

In the first half of the 2020s, the Z Holdings Group aims to become number one in Japan in terms of the merchandise transaction value of its Commerce business. In fiscal 2019, we implemented two major initiatives toward the achievement of this goal.

The first was the acquisition of ZOZO, Inc. as a consolidated subsidiary in November 2019. This will not only strengthen our presence in the fashion segment, but will also allow us to generate synergies in various other business areas. ZOZOTOWN opened a store in PayPay Mall in December 2019, and this is already helping both Z Holdings and ZOZO, Inc. to attract new customers.

The second initiative was the announcement of a business alliance with Yamato Holdings Co., Ltd. in March 2020. Under this relationship, new logistics services were introduced for PayPay Mall and Yahoo! JAPAN Shopping merchants in June 2020. Also in March 2020, we announced a shopping system, the XS (Cross-Shopping) Engine, as part of our new e-commerce strategy. This system further enhances the convenience of services for merchants by allowing information about inventories in brick-and-mortar stores to be linked to PayPay Mall, as well as supporting search, payments, and other functions used on PayPay Mall and Yahoo! JAPAN Shopping.

We aim to achieve rapid growth in the Commerce business across the entire Z Holdings Group by creating an environment that is friendly and convenient for both sellers and buyers.

> Overview of Commerce Business

## Fintech: Expanding PayPay, introduction of scenario finance services

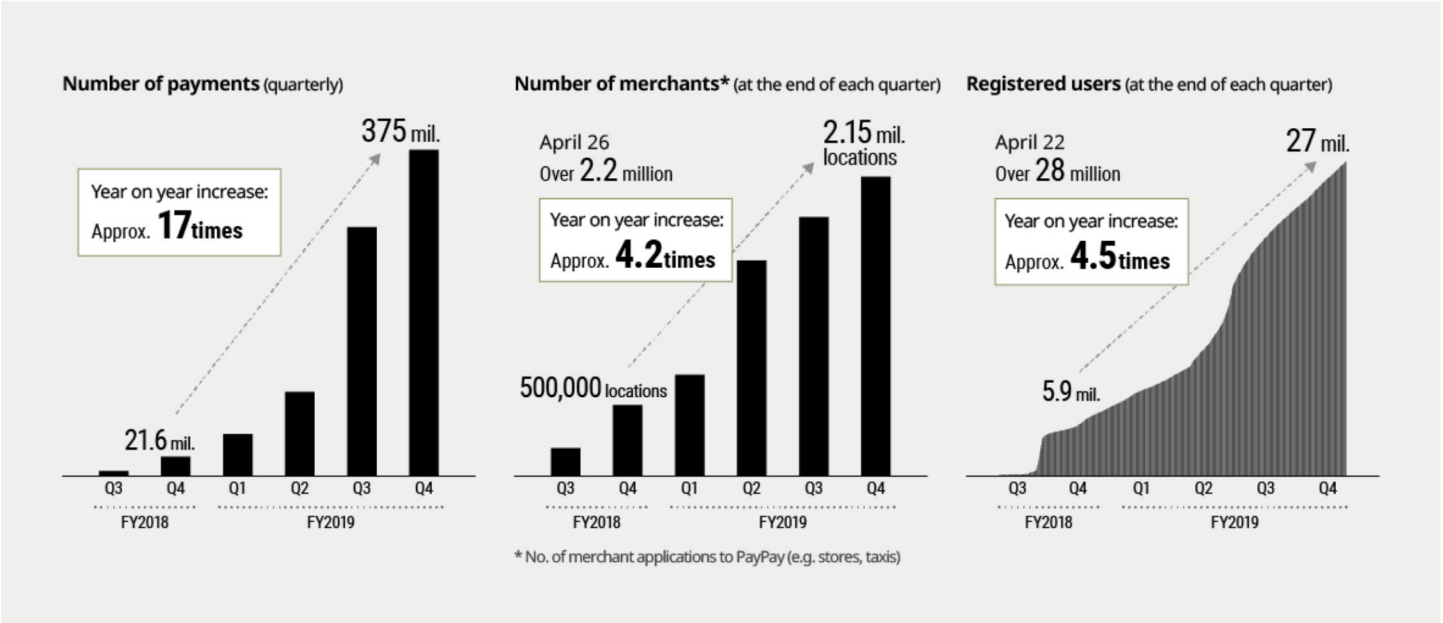
Our medium- to long-term goal is to develop the Finance business into a third core source of revenue, alongside advertising and commerce. To achieve that, we will expand the use of PayPay as infrastructure for our Finance business, and introduce scenario finance services.

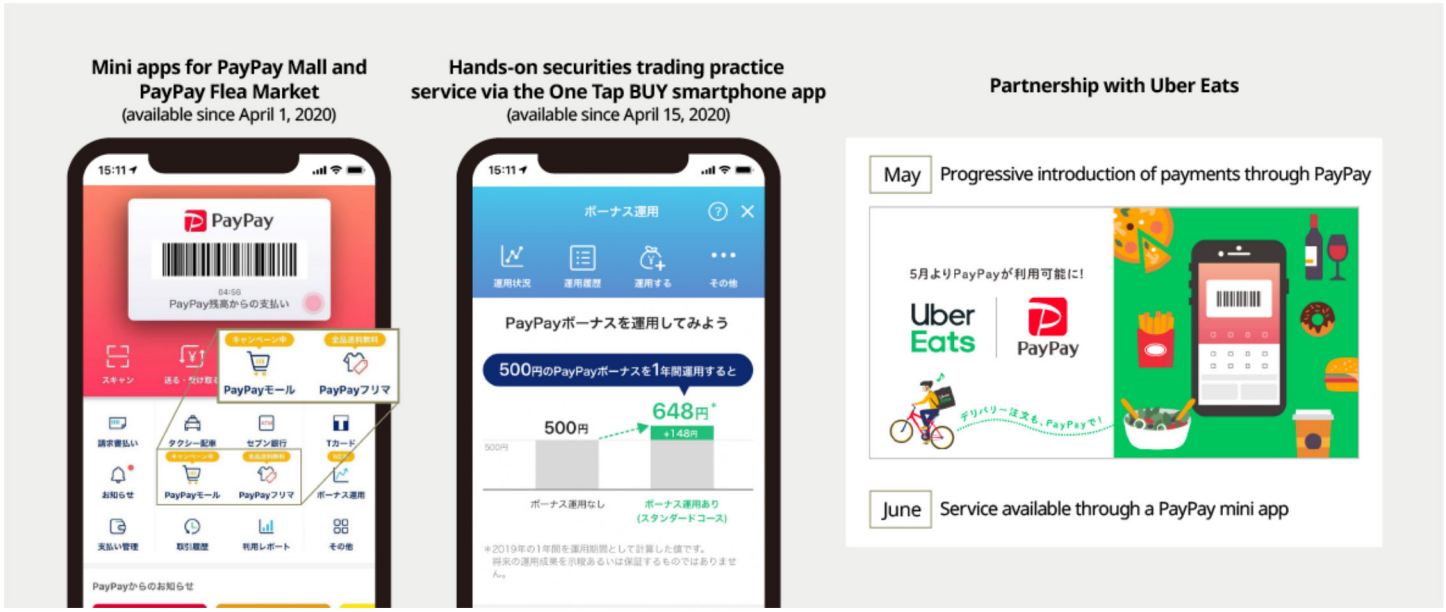
PayPay use expanded significantly in fiscal 2019, allowing us to build a solid presence in this area. We will work to maximize the number of PayPay payments by increasing the number of merchants and registered users. Starting in fiscal 2020, we will focus on rapid monetization through the introduction of financial services.

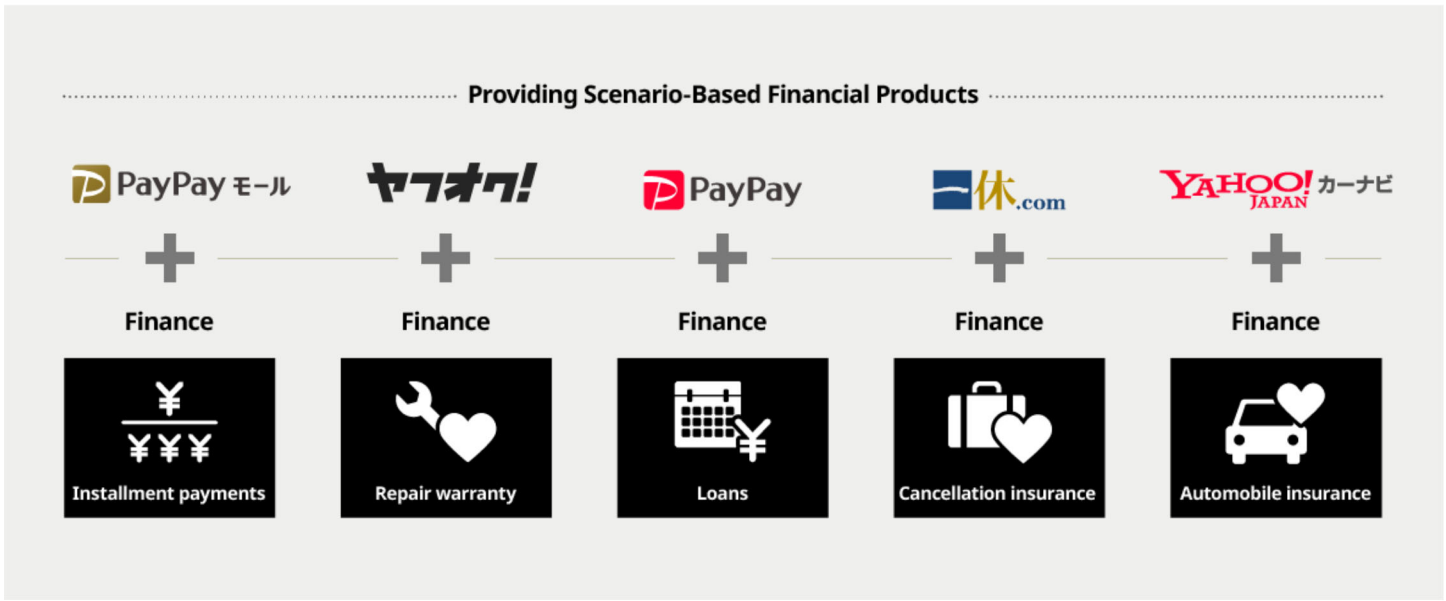
We will also work with financial institutions to explore new financial services that can be added to the PayPay app. Our plan is to develop PayPay into a super app that can be used as an access point for a variety of actions relating to payments through PayPay. We will use ideas from apps developed by companies in which the SoftBank Vision Fund has invested, such as Alipay in China and paytm in India, to enhance the functions of the PayPay app and provide an ideal user experience.

One of our new initiatives launched in fiscal 2020 is scenario finance. The percentage of people entering into financial service agreements, such as installment payment plans for automobile purchases, is influenced by the situation and scenario in which the finance is offered. A major advantage for the Z Holdings Group is the fact that we have numerous online and offline situations in which user action conversions can occur, including media, e-commerce, O2O, and payments. We aim to expand our revenues by using simple user interfaces and experiences to offer financial products that are likely to match a user's actions. We have already started to offer repair warranty services to purchasers of used goods through the YAHUOKU! auction service. Going forward, we will expand the scope of products offered in this way. For example, we will offer cancellation insurance for people who make travel or restaurant bookings.

> PayPay Corporation (Japanese Only)






## Data solutions: Services based on the use of big data to solve problems

In October 2019, we began to offer data solution services based on the use of big data obtained through the various Yahoo! JAPAN services to companies and local governments. The data solution services provide insights that lead to business creation, growth support, problem solving, and other benefits. The main products offered at present are as follows.

• DS.INSIGHT: A desk research tool capable of surveying and analyzing behavior-related big data from Yahoo! JAPAN
• DS.INSIGHT for Partner: A product that can be used by partner companies, such as advertising agencies or consulting firms, to assess or propose initiatives for corporate clients
• DS.ANALYSIS: A product used to provide analysis results that include big data not available through DS.INSIGHT, to meet the needs of companies and local governments, and consultation services to support the utilization of those analysis results

Until the end of March 2021, we will provide DS.INSIGHT free of charge to metropolitan and prefectural governments and ordinance-designated municipalities throughout Japan for use in measures to prevent the spread of COVID-19. By making the system available for use in analyzing residents' needs and the effectiveness of stay-home campaigns, we are raising awareness of this service and the value of data utilization.

> Special website concerning data solution services (Japanese only)

**The Concept of Data Utilization**

## As a data-driven company, we actively share knowledge gained through data utilization with society.

We use the power of information technology to liberate the full potential of people. Our ability to do this is based on technologies and expertise that allow us to utilize accumulated data. In the Japanese government's "Society 5.0" vision of the society of the future, people and objects are linked through the Internet of Things (IoT). This allows a variety of knowledge and information to be shared, leading to the creation of totally new types of value. While ensuring that all personal information is handled appropriately, the Z Holdings Group will continue to share knowledge gained from data with the whole of society.

## Data Privacy Overview

### We have built systems to ensure that data is used and protected appropriately.

Respect for privacy is a fundamental value for the Z Holdings Group as an organization that handles a wide variety of data. The enhancement of privacy protection and cyber-security is a priority for all services provided by the Group. We recognize that data created through the use of our services belongs to users, and that we have an essential obligation to respect and protect user privacy.

In line with this philosophy, we have participated in the Cyber Security Committee of the Information Technology Federation of Japan, a federation of IT industry organizations, since the Committee's establishment in November 2019. Within our company, we established a Cybersecurity Working Group in February 2020 to consider related matters, including our Cybersecurity Policy. In May we appointed a Data Protection Officer to supervise data protection from an independent perspective. The Data Protection Officer will ensure that data is used appropriately by providing advice and monitoring data utilization methods.

Through these initiatives, we are working to create a world in which users feel confident to entrust their data to us as they access the wide range of useful services that we offer.

> Security and Privacy

## Enriching People's Lives Through Data Utilization

### The Z Holdings Group provides services and information that are helping to prevent the spread of COVID-19.

We use our accumulated data resources to influence people's behavior in various ways. For example, we have responded to the spread of COVID-19 infections since early 2020 by disseminating accurate information about the disease, and by assisting with efforts to prevent its spread through data utilization.

For example, in April 2020 we reinstated the "Congestion Radar" function of Yahoo! JAPAN MAP app, which we had discontinued in January 2020. By using this function in conjunction with the Yahoo! JAPAN Transit Navigation app, which forecasts the level of crowding at stations, users can avoid crowds by checking for congestion in commercial facilities and stations. Both of these services rely on user location data held by the Z Holdings Group. We believe that by using our user data resources in our services, we can help to solve people's problems and enhance the convenience of their lives.

> Feature: Response to the COVID-19 Pandemic

## Quick access to essential information

YAHOO! JAPAN

COVID-19 updates

YAHOO! JAPAN 路線情報

Station congestion forecasting

YAHOO! JAPAN 地図

Congestion Radar

## Lifestyle support for users

YAHOO! JAPAN

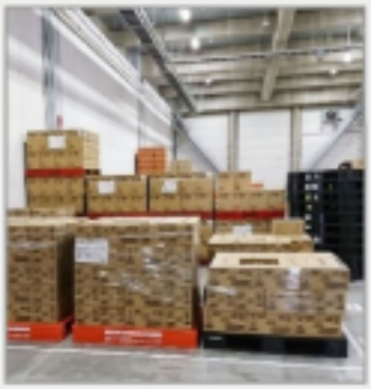
Stay Home Portal to support home-centered lifestyles

ZOZOTOWN

Feature on coordinated outfits that can be worn at home

YAHOO! JAPAN きっず

Yahoo! JAPAN Kids Homeschool

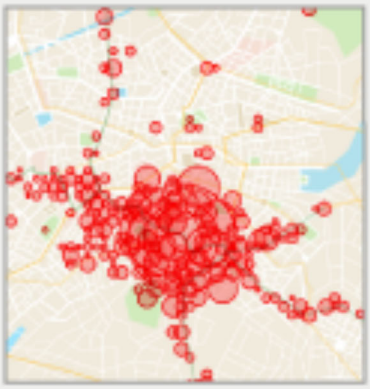


ASKUL

Prioritized delivery of sanitizing liquid to medical institutions at the request of the government

ヤフオク!

Auctions to support activities



YAHOO! JAPAN

Provision of statistical data to support government efforts to prevent the spread of COVID-19

## Policies for Fiscal 2020

# Fiscal 2020 will be a time for nurturing the seeds that we sowed in fiscal 2019.

In fiscal 2019 we prepared for future business expansion by sowing seeds that will eventually grow into a brighter future. In fiscal 2020 we will work to bring these initiatives to fruition. We will focus in particular on the following three measures.

First, we will compete our business integrationwith LINE Corporation. We are confident that we will be able to enrich the lives of even more people by creating synergies between LINE Corporation and the business activities of the Z Holdings Group.

Second, we will start the full-scale roll-out of scenario finance. We will develop our Financial business dynamically and drive its growth as our third core revenue source.

Third, we will further expand our integrated marketing solutions. By improving the usability of solutions based the Group’s assets, we will provide services that competitors will be unable to mimic.

The Z Holdings Group will continue to use its unique capabilities to create a brighter future.

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