INTEGRATED REPORT PORTAL

Last updated: 09/28/2020

# Media Business

## Overview of Media Business

## Major Services

- **Media-related services (e.g. Yahoo! JAPAN Top Page, Yahoo! JAPAN News)**
- **Advertising-related services (e.g. search advertising, display advertising)**

### Results for Fiscal 2019

**Revenue**

**308 billion**

**Operating income**

**154 billion**

**Operating margin**

**50.0 %**

## Market Environment

According to the reports *2019 Advertising Expenditures in Japan* and *2019 Advertising Expenditures in Japan: Detailed Analysis of Expenditures on Internet Advertising Media* released by Dentsu Inc., total expenditure on advertising in Japan during fiscal 2019 amounted to ¥6.9 trillion. This amount includes the new addition of estimates for “expenditure on merchandising-related e-commerce platforms” and “events” in the *Advertising Expenditures in Japan* report. If the calculation is based on the same premise as last year’s report, the total amounts to ¥6.6 trillion, a 1.9% increase year on year and an eighth consecutive year of growth. Expenditure on Internet advertising passed the ¥2 trillion mark for the first time, exceeding expenditure on television advertising.

By media, while total advertising expenditures in the four traditional media markets of television, newspapers, magazines, and radio decreased 3.4% year on year, Internet advertising expenditures grew 19.7% year on year, marking a sixth consecutive year of double-digit growth. The increase in Internet advertising expenditures was primarily due to the growth of digital advertising carried by traditional media such as newspapers and television, and the inclusion of expenditure on merchandising-related e-commerce platforms in the report for the first time. The expansion of the size of the Internet advertising market boosted total advertising expenditures in Japan.

Younger generations continued to watch more videos online, so video advertising saw a significant increase of 57.1% year on year, comprising 20% of overall expenditure on Internet advertising. Social advertising placed on social media and video sharing platforms also recorded high growth of 26.0% year on year. Going forward, although the full commercial rollout of 5G is said to lead to more enjoyable video watching environments, the

impact of the coronavirus disease (COVID-19) pandemic on the global macro economy is expected to have noticeable effects on the Internet advertising market in Japan. Furthermore, the drastic change in our lifestyles is expected to rapidly raise the ratio of e-commerce sales to total sales in Japan, which is thought to be relatively low compared to overseas. This will result in the further growth of advertising expenditure on merchandising-related e-commerce platforms. There are also likely to be big changes in the way corporations carry out marketing activities, including a further shift from brick-and-mortar to digital domains, and we expect increased acceleration in the growth of Internet advertising.

## Growth Strategies–Basic Policies

Media business attracts a large number of users by providing a wide range of media services that are essential to people's daily lives, and records earnings through advertising based on the following growth strategies.

• Further strengthening of media websites
• Expansion of integrated marketing solution

Our media-related businesses provide services that are linked to users' decision making and behavior, and that make their daily lives more enriching and convenient. In early 2020, following the global spread of COVID-19, we strived to swiftly provide information and services in an appropriate manner with the aim of providing accurate information as quickly as possible and supporting users' everyday lives. We have also released information related to COVID-19, produced educational content to provide support during school closures, and shared statistical data with the government.

We are also acquiring a more detailed grasp of user information by utilizing data collected through the use of our services, and we aim to increase usage frequency by providing tailored services. We recognize that independent oversight regarding data protection is essential in promoting these initiatives, so in May 2020, Yahoo Japan Corporation newly established and appointed a Data Protection Officer (DPO)*1. In order to realize a better society with the power of IT and big data, we will operate our business with due consideration for data privacy.

Also, in our Advertising business, we will provide more advanced and unique marketing solution services through personalization*2 that leverages collected data. We plan to realize business models unique to the Z Holdings Group in order to get the maximum potential out of the Group's assets, including our huge numbers of users and volumes of data handled. Currently, our particular focus is on our integrated marketing solution. This combines online and offline aspects, covers the full process of marketing (from awareness and interest to purchase), and includes offline sales promotions. We will continue to actively strengthen our efforts in this area.

*1 The DPO is responsible for implementing measures to protect the privacy and personal information of users. Specifically, the Officer provides advice on, supervises, and evaluates matters related to data protection from an objective standpoint, independent of any business divisions or company management.
*2 A marketing method that provides services and content tailored to an individual user based on his/her attributes and behavior history.

# Business Strategies—Progress and Outlook

### Fiscal 2019 Results

In the Media business, revenue increased 1.7% year on year to ¥308.6 billion in fiscal 2019, accounting for 29.3% of total revenue. Operating income increased 9.5% compared to the previous fiscal year to ¥154.3 billion. Total advertising revenue grew 5.3% year on year, to ¥341.0 billion.

In the area of paid search advertising, revenue grew 3.3% year on year to ¥169.7 billion due to improved display designs for smartphones and the provision of new functions.

In display advertising, revenue for Yahoo! JAPAN Display Ad Network (YDN) decreased year on year, due to the need to respond to issues faced by Japan's online advertising industry, such as ad fraud, and the strengthening of web browser anti-tracking functions* accompanying increasing awareness regarding privacy among users. However, demand for premium advertising continued to grow, particularly for ads on Yahoo! JAPAN Shopping. Thus, overall display advertising revenue rose 7.3% year on year to ¥171.2 billion.

* Functions that allow users to block or restrict methods of tracking their behavior history, such as cookies that are saved onto a user's device when browsing a website.

### Measures of Focus for Fiscal 2020

In fiscal 2019, we announced a new marketing concept, "integrated marketing solution," which steps up the conventional marketing method of raising customer awareness of products and services solely in the online world. This is a marketing solution that encompasses both online and offline domains, and it is already used as a sales promotion solution in collaboration with the PayPay smartphone payment service.

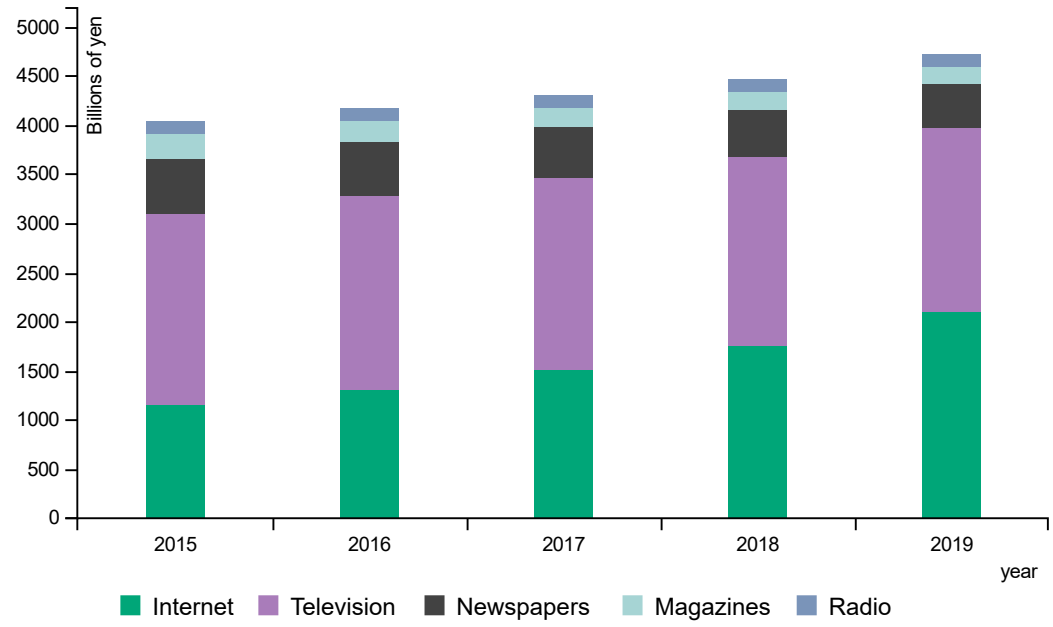
To date, advertising was primarily a source of earnings, but going forward, we will use the data accumulated while also leveraging the non-financial assets owned by the Group, such as the many users using the Yahoo! JAPAN app and PayPay, to provide completely new marketing solutions that cannot be imitated by anyone else. Furthermore, when the business integration with LINE Corporation is completed, we will have a new contact point for reaching users, enabling us to turn integrated marketing into a more robust concept. We will strive to enhance our product lineup through the ownership of three super apps—information-based Yahoo! JAPAN, payment-based PayPay, and communications-based LINE.

# Data

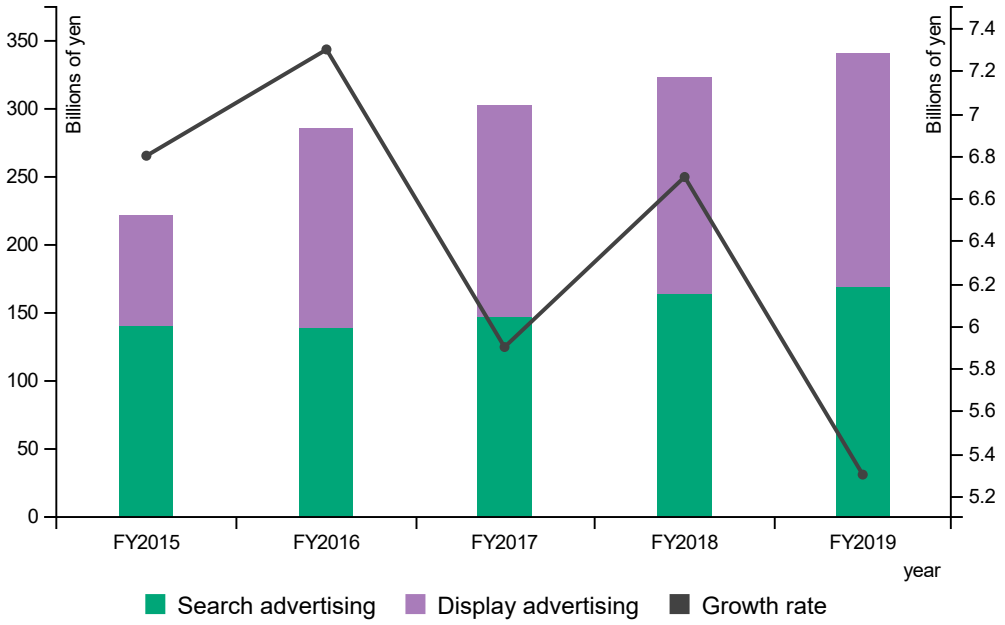
## Market Data

**Advertising expenditures by media type**

*** Source: 2019 Advertising Expenditures in Japan, DENTSU INC.**

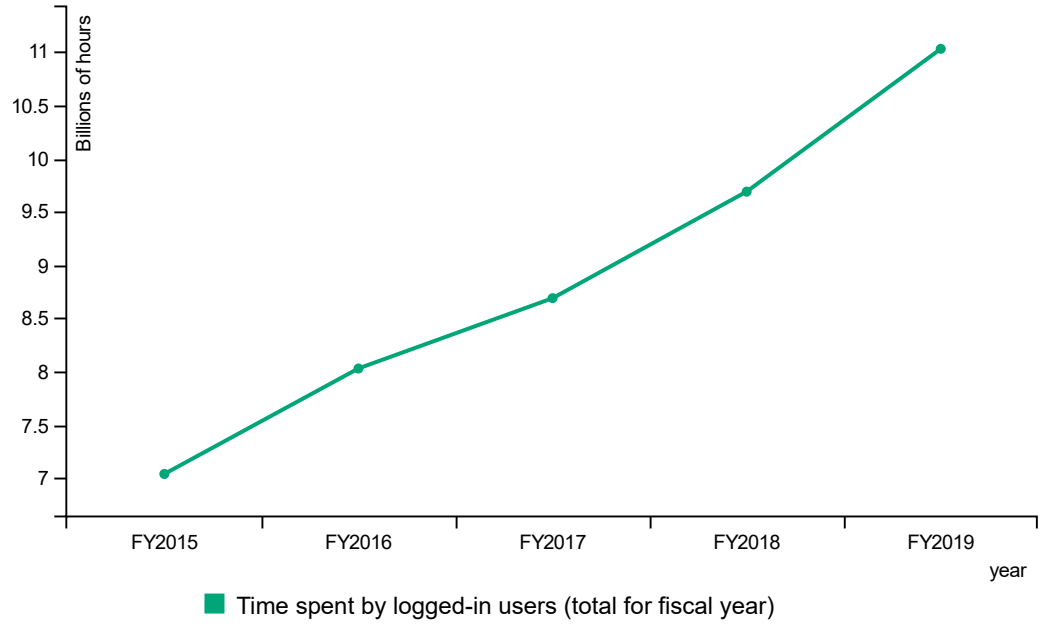



**Total advertising revenue**
**(by advertising products)**

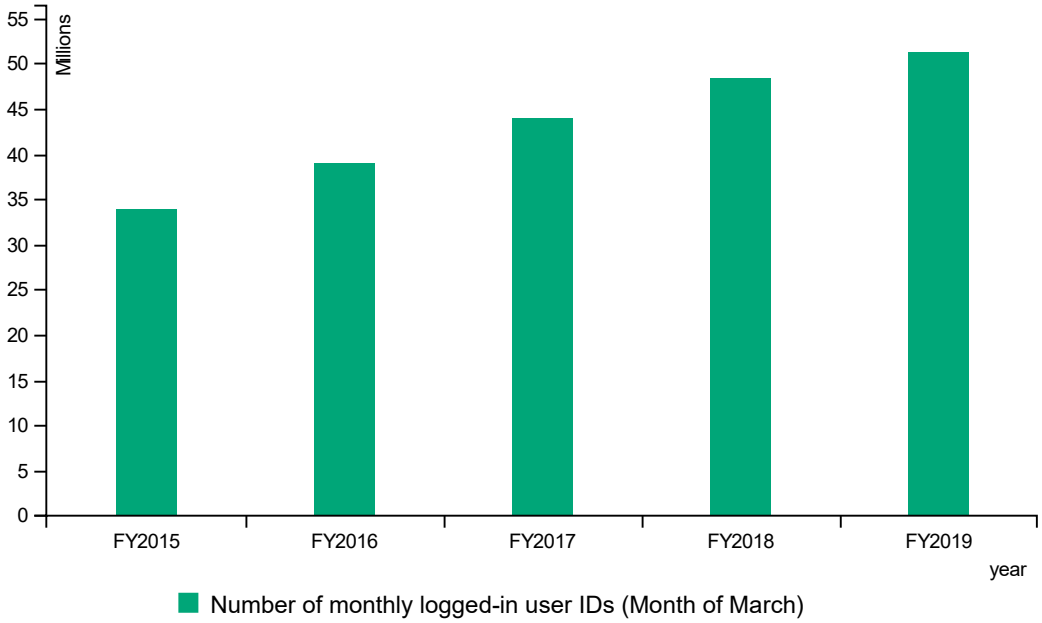


## KPIs (Key Performance Indicators)

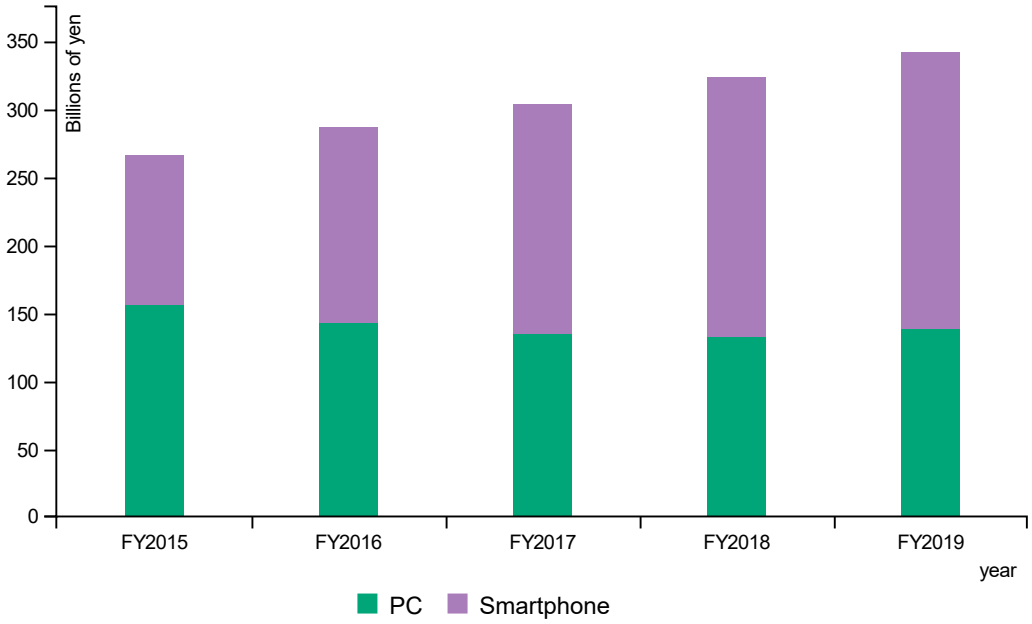
### Time spent by logged-in users




### Number of monthly logged-in user IDs



## Total advertising revenue (by device)



# Highlights

## Yahoo! JAPAN Sales Promotion

In January 2019, we started a new service, Yahoo! JAPAN Sales Promotion, which provides seamless support from online advertising to storefront sales promotions. Two products, PayPay Consumer Gift and PayPay Retail Gift have been launched in this service.

• PayPay Consumer Gift
PayPay Consumer Gift encourages users to purchase products by announcing campaigns through online advertisements placed in Yahoo! JAPAN services. If users buy the advertised product and then scan a QR code included with that product, they are taken to a special campaign site where they can enter a lottery to win PayPay Bonus or PayPay Bonus Lite.

• PayPay Retail Gift
PayPay Retail Gift encourages users to purchase products at stores running campaigns by announcing these campaigns through online advertisements placed in Yahoo! JAPAN services. Users apply for a lottery through a dedicated campaign site and then purchase the relevant product at the relevant campaign store. If they pay by the PayPay smartphone payment service, they are awarded PayPay Bonus Lite.

PayPay Consumer Gift and PayPay Retail Gift are advertising and sales promotion products designed to encourage purchases and they are primarily targeted at manufacturers. Linking the purchase process (awareness, interest, purchase) to include both online and offline elements provides a visualization of the effects on business through physical buyer behavior. This enables aspects like customer behavior originating from store visits to be predicted and used to continuously improve advertising and sales promotion methods and formulate plans for future advertising and sales promotion initiatives.

Yahoo! JAPAN Sales Promotion will continue to support companies in understanding user information in their marketing activities and will aim to provide user experiences tailored to an individual’s lifestyle and consumer preferences.

> Yahoo! JAPAN Sales Promotion (Japanese only)

## PayPay Consumer Gift

## PayPay Retail Gift

## Strengthening Sales Collaboration with SoftBank Corp.

In June 2019, we became a consolidated subsidiary of SoftBank Corp. with the aim of realizing further growth and enhancing corporate value. We had already been collaborating with the company, primarily in the field of e-commerce, and going forward we will work together on digital marketing initiatives.

In the first half of fiscal 2019, we set up a team comprising members of both SoftBank Corp. and Z Holdings Corporation as a measure aimed at further raising the level of existing advertising sales. In the second half of the fiscal year, we engaged in a full-scale strengthening of our sales collaboration in the advertising business. We are securing new customers by offering new advertisement placement proposals to SoftBank customers as well as offering new proposals to our existing advertisers, and this has already resulted in an increase in ad placements. We plan to continue expanding sales by advancing these initiatives further.

> Feature: Organizational Restructuring and M&A

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