Media Business

Last updated: 12/22/2022

Will expand target market through 1:1 marketing leveraging Group assets

YAHOO! Ads JAPAN
(Japanese only)

LINE Ads

YAHOO! JAPAN
(Japanese only)

LINE GAME
(Japanese only)

YAHOO! ニュース JAPAN
(Japanese only)

LINE NEWS
(Japanese only)

FY2021 Yahoo! JAPAN Advertising Total Advertising Revenue

JPY 392.6 B

FY2021 LINE Advertising Total Advertising Revenue

JPY 188.9 B

LINE Monthly Active Users*1

Approx. 92 mil

(As of June 30, 2022)

Yahoo! JAPAN Monthly Active Users*2

Approx. 86 mil

LINE NEWS Monthly Users

Approx. 77 mil

Media outlets participating in account media*4 Over 380

(As of August 2021)

Yahoo! JAPAN Monthly Page Views*3

84 B

Smartphone 63 B / Personal Computer 21 B

*1 Own survey; LINE app monthly active users in Japan; as of June 30, 2022.

*2 Nielsen TOPS OF 2021: DIGITAL IN JAPAN (Top 10 Internet services used by users in Japan). Average monthly number of users between January – October 2021. Does not include duplicate users of smartphones and PCs.

*3 Own survey by Yahoo Japan Corporation; average of July-December 2021 (excludes tablets and feature phones).

*4 Includes own media, e.g., LINE MOOK; as of August 2022.

FY2021 – Results*

Revenue

JPY641.2 B

Adjusted EBITDA

JPY260 B

Adjusted EBITDA (Margin)

40.6 %

* From FY2022-Q1, Yahoo Japan Corporation's financial service which had formerly been recorded in Strategic Business has been transferred to Media Business. LINE Corporation's services that had been recorded in Adjustments have been transferred to each business segment. Accordingly, past data and comparisons have been retroactively adjusted to conform to the current segments.

Our View of the Market Environment

In 2021, total advertising expenditure in Japan recovered significantly to JPY6.8 trillion for the full year (YoY +10.4%), due to the easing of the impact of the global outbreak of the COVID-19 pandemic continuing from 2020 through the second half of 2021, as well as the increasing digitalization of society. In particular, expenditure on Internet advertising maintained a high growth reaching JPY2.7 trillion (YoY +21.4%), and accounted for 39.8% of total advertising expenditure. As a result, for the first time, Internet advertising expenditure surpassed the total advertising expenditures in the four traditional media markets of television, newspapers, magazines, and radio which totaled JPY2.5 trillion (YoY +8.9%)[*1].

Internet advertising media expenditure, which constitutes approximately 80% of Internet advertising expenditure, expanded to JPY2.2 trillion (YoY +22.8%)[*2] due to a recovery from the previous year, when consumption was sluggish and ad placements declined due to the impact of the pandemic. Paid search advertising reached JPY799.1 billion (YoY +17.7%)[*2] while display advertising reached JPY685.6 billion (YoY +19.6%)[*2], both expanding to constitute approximately 70% of Internet advertising media expenditure. Furthermore, video advertising surpassed the JPY500 billion threshold for the first time, largely increasing to JPY512.8 billion (YoY +32.8%)[*2]. This was due to the continued demand from users who had to stay home as a result of the declaration of a state of emergency and pre-emergency measures to prevent the spread of COVID-19, which were applied for an extended period of time in many regions in Japan. Increased demand for video streaming services due to the Tokyo 2020 Olympic and Paralympic Games also contributed to this result.

Offline sales promotional measures have been difficult to conduct during the pandemic prompting major platform operators to actively provide digital sales promotional solutions using their own point reward systems. This has diverted sales promotions to the online domain, further contributing to the increase in Internet advertising media expenditure.

Social advertising on social media services grew significantly to JPY764.0 billion (YoY +34.3%)[*2]. Social advertising targeting social media platforms, excluding video-sharing platforms, is the largest in scale in this category, and has expanded to JPY316.8 billion.

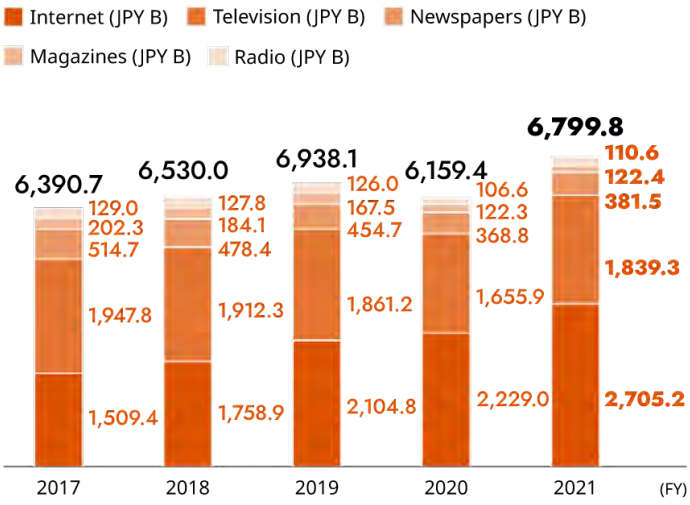
With the implementation of the revised Act on the Protection of Personal Information in April 2022, there is a heightened awareness over compliance, and we believe efforts to comply with the revised act and to improve advertising quality also provide opportunities for Internet advertising to develop. In anticipation of the cookie-less era, Yahoo Japan Corporation ("Yahoo! JAPAN") and LINE Corporation ("LINE"), which both have first party data, will grow with the market by balancing the protection of user privacy and the marketing needs of businesses.

Although there is still a sense of uncertainty in the macro environment, such as the impact of the pandemic, further growth in the Internet advertising market is expected, driven by the rapid digitization of society and other factors.

*1 Source: 2021 Advertising Expenditures in Japan, DENTSU Inc.

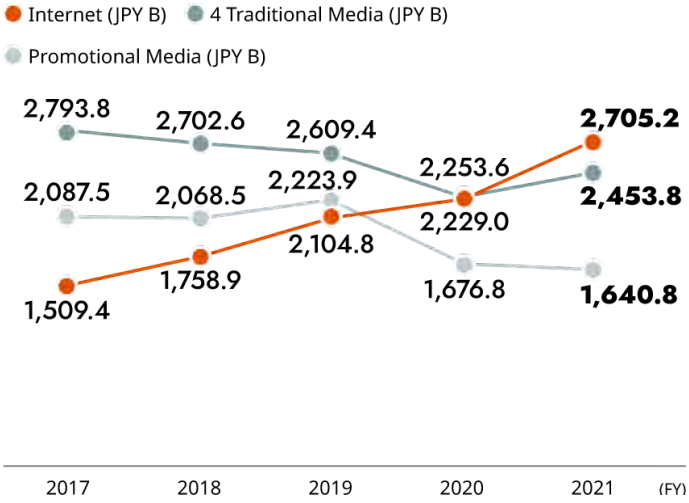
*2 Source: Advertising Expenditures in Japan 2021— Detailed Analysis of Expenditures on Internet Advertising Media, DENTSU Inc.

2021 Advertising Expenditures in Japan, DENTSU Inc.



Source: 2021 Advertising Expenditures in Japan, DENTSU Inc.

Advertising Expenditures by Media Type



Source: Advertising Expenditures in Japan 2021—Detailed Analysis of Expenditures on Internet Advertising Media, DENTSU Inc.

Basic Policies on Business Strategies (Growth Strategies)

The Media Business provides a variety of media services that are indispensable to daily life, attracting a large number of users and generating revenue through advertisements from companies and other sources. The following four major policies have been established for business expansion, and the Z Holdings Group aims to achieve business growth through the implementation of these policies.

1. Use of group assets

The Z Holdings Group possesses numerous services that attract one of the largest user bases in Japan. Three major services are: "Yahoo! JAPAN," with approximately 86 million*1 monthly active users by leveraging information; "LINE," which with approximately 92 million*2 monthly active users based on communication; and "PayPay," with 51 million*3 registered users based on payment. Furthermore, businesses and services included in the Media Business are deeply rooted in the daily lives of users living in Japan, such as Yahoo! JAPAN Search, Yahoo! JAPAN News, Yahoo! JAPAN Weather, and Yahoo! JAPAN Transit Navigation. By combining these leading Japanese media services with "LINE," Japan's largest one to one communication service, and "PayPay," a payment service that is indispensable to daily life, the Z Holdings Group is able to reach a large number of users, leveraging its unrivalled cross-device reach.

*1 Nielsen TOPS OF 2021: DIGITAL IN JAPAN (Top 10 Internet services used by users in Japan). Average monthly number of users between January – October 2021. Does not include duplicate users of smartphones and PCs

*2 Own survey; LINE app monthly active users in Japan; as of June 30, 2022.

*3 As of September 30, 2022

2. Increase in ad placements due to expansion of mutual distribution and strengthening of sales collaboration

The business integration has triggered the mutual distribution of advertisements between LINE and Yahoo! JAPAN. Yahoo! JAPAN Ads has already begun distributing its advertisements in the LINE NEWS sections. Plans are also underway to distribute LINE's advertisements in the ad slots of Yahoo! JAPAN's service sites. Furthermore, strengthened advertising sales collaboration among the three companies (SoftBank, Yahoo! JAPAN, and LINE) will expand the reach with new clients with whom we did not have proposal opportunities before, and will enable the proposal of a wide array of solutions utilizing LINE's services. Through these initiatives, the entire Z Holdings Group will aim to increase the advertising revenue. In the medium- to long-term, the integration of ad distribution platforms of LINE Ads and Yahoo!

JAPAN Ads is also planned. The integration will enable the clients to flexibly allocate advertising budgets across LINE and Yahoo! JAPAN platforms, and we expect that this will help prevent lost budget opportunities.

3. Provision of 1:1 marketing solution

By utilizing Japan’s leading Internet advertising platform, "Yahoo! JAPAN," and one of the largest QR code payment service in Japan, "PayPay," the purchasing behavior of users can be captured seamlessly, and as a result, advertising effectiveness can be visualized. We have already begun such efforts, for example, by placing online ads in ad spaces of Yahoo! JAPAN to gain recognition from users and understand their offline purchasing behavior through "PayPay." Furthermore, combining LINE, a one to one communication tool, to this marketing solution will promote users to make repeat purchases, enabling the provision of a one-stop solution from product and service recognition to repurchase. This is a sophisticated approach that leverages our Group assets, which is difficult for other companies to offer, and we expect it to lead to future differentiation. Currently, this initiative is being adopted by some consumer goods manufacturers and is being used continuously. In the future, we aim to expand monetization by structuring and laterally developing this successful model.

4. Data usage derived from ID linkage

ID linkage between Yahoo! JAPAN and LINE, two of the major media platforms in Japan, is scheduled to begin from 2023 onwards. Out of the 51 million PayPay registered users as of September 30, 2022, 77% are already linked with Yahoo! JAPAN ID. Moving on, we aim to link the three IDs of Yahoo! JAPAN, LINE, and PayPay, which will enable the PayPay ecosystem to cover almost all Internet users in Japan. Through this initiative, we also aim to increase ad unit prices by 5 to 15% by delivering ads and content tailored to users and enhancing the effectiveness of ads. Meanwhile, the standards required for data handling are becoming higher every year, and we are working carefully to meet the requirements. In addition, ID linkage is based on a prerequisite that users understand the benefits of ID linkage and give their consent. Since it is also necessary to find the optimal data linkage method, we will work on this over several years.

To realize the above, we will execute strategic investments to strengthen ad platforms and systems infrastructure, as well as to acquire the necessary human resources. By bolstering our cash-generating capabilities in this way, we will aim for double-digit growth in revenue and an adjusted EBITDA margin of 40-50% to generate the resources for investment.

Results of FY2021

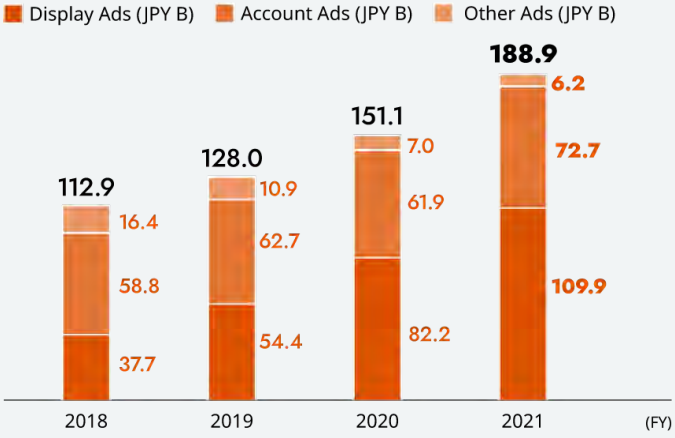
The revenue of Media Business for FY2021 amounted to JPY641.2 billion (YoY +74.7%), accounting for 40.9% of total revenue. This is due to the consolidation of LINE Corporation as a result of the business integration in March 2021, recovery in advertisers' demand, and product improvement measures, etc. Adjusted EBITDA increased 59.9% YoY to JPY260.0 billion.

LINE's Advertising

Total advertising revenue of LINE significantly grew to JPY188.9 billion (YoY +25.0%), of which display advertising revenue totaled JPY109.9 billion (YoY +33.7%). From early May 2021, LINE began permanently displaying advertisements and various content at the uppermost slot in LINE's chat list, and this has resulted in an increase in advertising inventory. In addition, LINE launched a new advertising product, Talk Head View Custom, in September 2021. This programmatic advertising, displayed at the uppermost slot in the chat list mentioned above, is designed to make flexible distributions of ads according to the client's products and sales drives. From November 2021, Timeline, a feature that enabled family members and friends to post activities to each other, was renewed to a video platform, LINE VOOM. Leveraging this opportunity to enter the short-form video market, LINE aims to increase its video advertising revenue over the medium- to long-term.

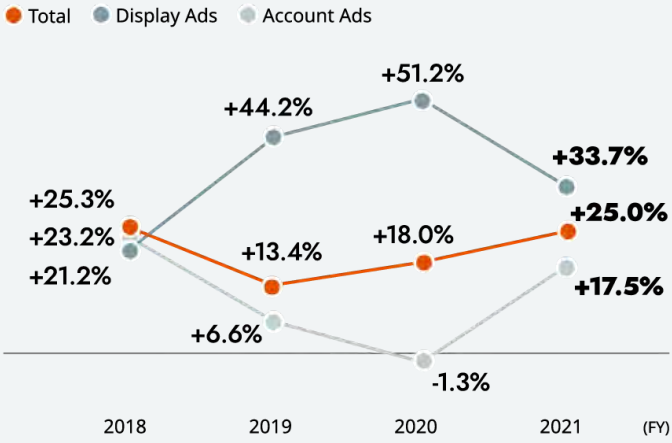
Account ads also increased its revenue to JPY72.7 billion (YoY +17.5%), and the number of LINE Official Accounts also grew to 18.5 million (YoY +23.2%). This is mainly due to the strong performance of the LINE Official Account business which accounts for 70 to 80% of revenue. Since this advertising product is less susceptible to business conditions than display ads, and is more likely to be used on an ongoing basis, it has been able to steadily expand its revenue.

LINE Total Advertising Revenue



Source: Z Holdings Corporation Earnings Slides

LINE Total Advertising Revenue YoY Growth Rate



Source: Z Holdings Corporation Earnings Slides

Yahoo! JAPAN's Advertising

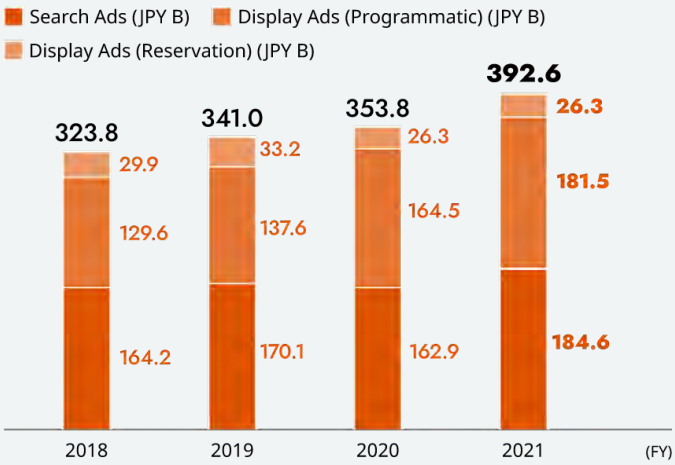
Total advertising revenue of Yahoo! JAPAN, including shopping-related advertising revenue, was JPY392.6 billion (YoY +11.0%), resulting in the first double-digit growth since FY2013, which was mainly due to the capturing of the demand recovery in the market, and product improvements.

Search advertising grew 13.3% YoY to JPY184.6 billion. The main reason for this result is that in FY2020, advertisers' willingness to advertise declined due to the uncertainty caused by COVID-19, but in FY2021, their appetite gradually resumed. Meanwhile, display advertising totaled JPY207.9 billion (YoY +8.9%); out of which programmatic advertising totaled JPY181.5 billion (YoY +10.4%). The result of programmatic advertising was mainly due to the improvement of KPIs such as cost-per-click as a consequence of enriched ad formats, promotion of automatic bidding, improvement in distribution accuracy, as well as increase in the transaction value of shopping business resulting in an increase in shopping-related advertising revenue (included in programmatic advertising). Reservation advertising totaled JPY26.3 billion (YoY 0.0%), which was a result of the shift in the advertisers' demand from reservation advertising to programmatic advertising, as well as decrease in ad placements in some industries due to the changes in the macro environment (e.g., shortage in semi-conductors).

Various initiatives have also been launched to generate synergies with LINE. In October 2021, Yahoo! JAPAN Ads Display Advertising (Programmatic-based) began distribution to LINE NEWS, and there are plans to have LINE's ads distributed to some of the ad slots in Yahoo! JAPAN. In addition, from July 2021, applications to open LINE Official Accounts are accepted for all stores of Yahoo! JAPAN Shopping. Since many stores start using the free plan with no

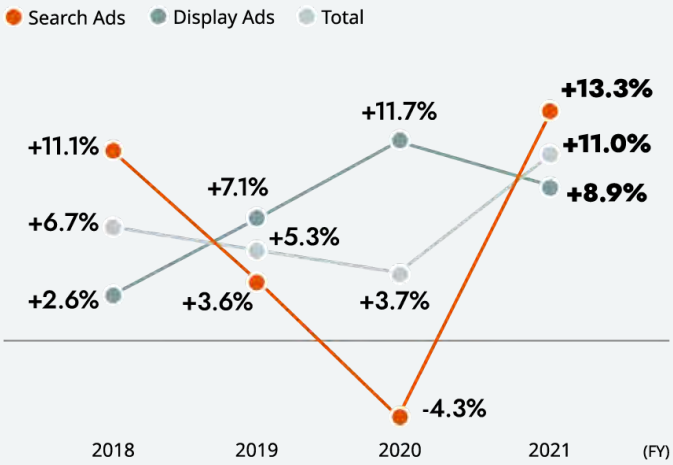
fixed monthly fee and move on to the paid plan after understanding the benefits, it takes a certain amount of time to realize revenue increase, but we are working to expand Account ads.

Yahoo Japan Total Advertising Revenue



Source: Z Holdings Corporation Earnings Slides

Yahoo Japan Total Advertising Revenue YoY Growth Rate



Source: Z Holdings Corporation Earnings Slides

Priority Initiatives in FY2022

For the full year Media Business, outlook (as of November 2, 2022), LINE's advertising revenue is expected to be JPY198.3-207.7 billion (YoY +5.0-10.0%), and Yahoo! JAPAN's advertising revenue is expected to be JPY392.6-412.1 billion (YoY +0.0-5.0%). Adjusted EBITDA is expected to total JPY268.2 billion (YoY +0.8%).

To achieve the outlook, efforts will be made to increase the amount of ad placements by strengthening the sales collaborations between Yahoo! JAPAN and LINE, as well as to expand the previously mentioned mutual distribution of ads on the two platforms. The sales collaboration between SoftBank and Yahoo! JAPAN in advertising, which has been pursued for several years, has proven to have a certain level of effect, thus will continue to be promoted to increase revenue. Furthermore, a strategic investment in the scale of JPY50-70 billion is planned for the entire company in FY2022, and around 20% is planned to be spent in the Media Business. The investment is planned to be mainly made in improving features in advertising services and expanding the features of vertical search, such as restaurant reservations. The aim of these investments is to increase advertising revenue and transaction value.

We will also continue our efforts in developing advertising and sales promotion products to realize our full-funnel 1:1 marketing solution. This is a one-stop solution that provides marketing activities from online/offline awareness raising to purchasing and repurchasing, which make advertising effectiveness visible. Currently, this initiative is being adopted by some consumer goods manufacturers, but we will continue to develop new markets while strengthening sales proposals and expanding revenue.

Sustainability Initiatives in the Media Business

The Z Holdings Group will contribute to the realization of more affluent and convenient lifestyles by solving all kinds of social issues, including responding to administrative DX (digital transformation) in cooperation with local governments in Japan and contributing to disaster prevention and mitigation. In addition, to fulfill our responsibility as a digital platform operator, we will establish a sound operational framework and disclose the details of our operations in a transparent manner.

3.11Project "*Norikoeru Chikara* (Power to Overcome)"

Yahoo! JAPAN and LINE have both worked in the areas of "disaster prevention," "disaster relief," and "disaster recovery." As a first step in their collaboration, the two companies jointly implemented "*Norikoeru Chikara* (Power to Overcome)" to collect contents to send thoughts and raise support for the disaster-affected areas of the Great Eastern Japan Earthquake and information useful for disaster prevention in the year marking the 10th anniversary of the earthquake. This project has provided many people with knowledge about disasters and the situation in the disaster-stricken areas, creating opportunities to take actions for disaster prevention and donations for the future. Some of the programs include: "Smartphone Evacuation Simulation," "Searching is Empowering," "Knowledge is Empowering." "#*Arekara watashi wa* (Me since then)," and "#*Korekara watashi wa* (Me from now)." Moving on, Yahoo! JAPAN and LINE will continue to collaborate to realize a better future that is safe and secure.

→ More details (Japanese only)

"Transparency Report on Advertising Service Quality"

The "Transparency Report on Advertising Service Quality," which compiles the screening results conducted to enhance advertising service quality, is released regularly by Yahoo! JAPAN. Yahoo! JAPAN will continue to promote various efforts for transparency and quality improvement, and provide information on details of these efforts in order to satisfy all of its customers, including Internet users, advertisers, and partners.

→ More details (Japanese only)

"LINE Transparency Report"

"LINE Transparency Report" is a regular report released since the second half of FY2016. The report sheds light on how LINE Corporation and its group companies handle data entrusted from its users in the maintenance and operation of various services provided by the LINE Group. The LINE Group will continue to update this report on a regular basis to increase its transparency so that its users can access the services with a sense of security.

→ More details (Japanese only)

LINE Ads

Display Ads

Chat List

Advertisements are displayed at the slot at the top of LINE's chat list. When users click advertisements displayed in the same format as the chat list, they will be referred to the landing pages of the products/services.
These advertisements can be utilized for large-scale promotions since they are displayed in the top of the chat screen which is the most active among LINE's services boasting unparalleled DAU.

→ More details

LINE VOOM

Advertisements can be placed to over 68 million LINE VOOM monthly active users (MAU)* for traffic referrals, direct response, and promotion of app downloads.

* MAU: Number of users visiting LINE VOOM at least once a month (Internal survey as of August 2019)

→ More details

LINE NEWS

Characterized by high monthly active users of over 77 million*1. In addition to the article listing page referred to from the News tab in LINE app, advertisements can be distributed to the article listing page of the account media of 324 media outlets*2.

*1 As of August 2021

*2 As of August 2022

→ More details

Account Ads

LINE Official Account

Messages can be sent from LINE chat to users who have friended the account of stores and companies. LINE Official Account's overwhelming ability to reach users and build "one-to-one communication" utilizing the features of a communication app enable efficient and deep connections with users.

→ More details

LINE Promotion Sticker

Through advertising fees provided by companies, these stickers are offered to users free of charge or on a conditional basis and can be used as an incentive to increase friends to LINE Official Accounts.

→ More details

LINE de Obo

A solution to various issues of in-store sales promotions, such as reducing in-store operations and encouraging participation in sales drives.

→ More details

Yahoo! JAPAN Ads

Search Advertising

Yahoo! JAPAN Ads Search Advertising

A text advertising that is displayed in the search results pages according to the keywords used to search in Yahoo! JAPAN. Ads will be posted in the search results pages of Yahoo! JAPAN which is used by a vast number of Internet users, and a large advertising impact can be expected.

→ More details (Japanese only)

Display Advertising

Yahoo! JAPAN Ads Display Advertising (Programmatic-based)

Advertisements can be displayed with images and videos on Yahoo! JAPAN Top Page or on websites that have advertising slots. In addition to various targeting options such as gender, age, interests, and purchase intentions, the advertisements can be effectively distributed according to objectives, and posted flexibly based on budget.

→ More details (Japanese only)

Yahoo! JAPAN Ads Display Advertising (Reservation-based)

Highly visible image and video ads can be placed on Yahoo! JAPAN Top Page and services pages such as Yahoo! JAPAN News, which boasts an overwhelming user reach. The outstanding amount of exposure leaves a strong impression of products and services on users and a high branding effect can be expected.

→ More details (Japanese only)

Other Ads

Yahoo! JAPAN Sales Promotion

Integrates advertising and sales promotion, providing a seamless marketing solution from reach through advertising to in-store sales promotion, and is designed to lead customers to purchase at actual stores. Sales drives can be announced in Yahoo! JAPAN's ads to prompt customers to visit stores and purchase items. Through a full range of services, from awareness raising by online advertising to offline in-store sales promotions, we aim to support the promotion of user understanding in corporate marketing activities and provide optimal user experiences tailored to different lifestyles and purchasing preferences.

→ More details (Japanese only)

Others

LINE Sticker

Provides various stickers and emojis that makes chats more enjoyable and also offers various themes that allows users to customize their LINE screens.

→ More details (Japanese only)

LINE GAME

Ever since its full-scale launch in November 2012, LINE GAME has provided numerous games in various genres such as the LINE POP series (a hexagon puzzle game) and LINE PokoPoko (matching puzzle game). In addition to LINE's existing strengths in casual games, particularly puzzle games and game titles that utilize LINE's own IP characters, LINE focuses on expanding its broad range of genres and content offering, such as Jumpti Heroes.

→ More details (Japanese only)

LINE Fortune

A comprehensive fortune telling service where users can consult directly with fortune tellers 24/7, and enjoy menus by famous fortune tellers. LINE Fortune offers free fortune telling services by famous fortune tellers with reputations on TV and in magazines while LINE Talk Fortune provides fortune telling over telephones or chat in LINE app with over 1,000 fortune tellers. LINE Facing Fortune connects users remotely with fortune telling parlors in all parts of Japan.

→ More details (Japanese only)

Yahoo! JAPAN Search

A search service that covers a vast amount of data on the Internet. With a feature that directly displays information and answer related to the search and seamless linkage with various services available in Yahoo! JAPAN, etc., users can look up information that meet their search purposes and conditions quickly, conveniently, and in an easy-to-understand manner. In addition, topics buzzed in the social media can be searched with Realtime Search, while search screen designs can be customized to users' preferences.

→ More details (Japanese only)

Yahoo! JAPAN News

Publishes 5,000 articles a day and provides round-the-clock live distribution of news video. In Yahoo! JAPAN News Topics, editors carefully select the must-read news delivering them at speed and in an easy-to-understand format. Yahoo! News app provides push notifications of important news and information related to natural disasters. The comment section allows users to post their opinions on the articles which can be read by all users.

→ More details (Japanese only)

Yahoo! JAPAN Weather

A weather app that provides not only weather forecasts, but all kinds of information related to weather and natural disasters. In the app, Rain Cloud Radar, which shows the real-time movement of rain clous in all parts of Japan is available, alongside seasonal weather information such as information on pollens for hay fever, heat stroke index, and information on snowfall.

→ More details (Japanese only)

Yahoo! JAPAN Transit Information

Whether users are walking, taking trains, buses, airplanes or ferries, they can search the routes to a destination with Yahoo! JAPAN Transit Information. The name of stations, facilities, addresses, and telephone numbers can be used for the search. Various other functions such as access to information on train delays and cancellations, schedules of trains and buses are also available.

→ More details (Japanese only)

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