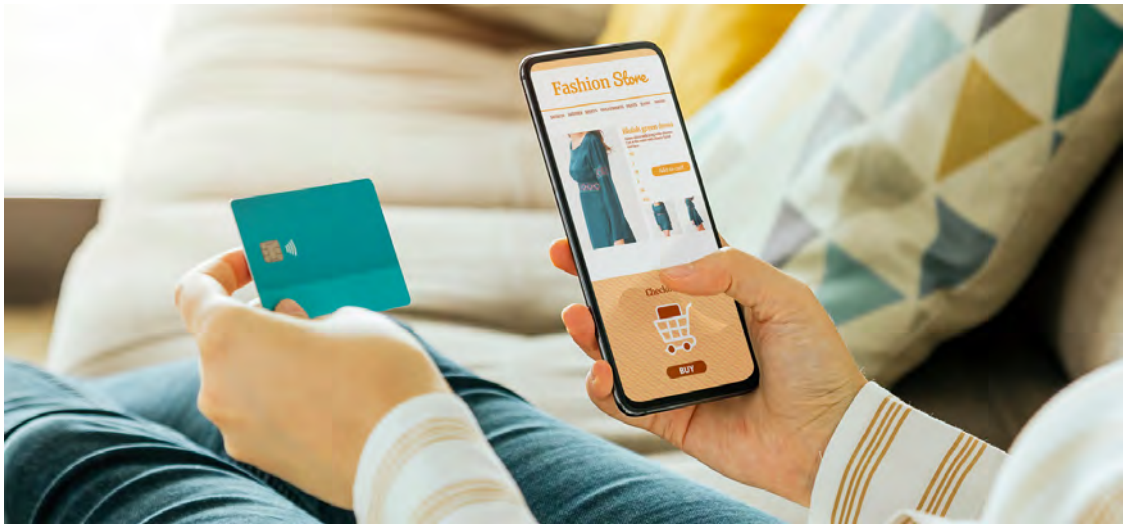
Commerce Business

Last updated: 12/22/2022



We aim to use our Group assets to encourage cross-use and expand our Group ecosystem.

YAHOO! JAPAN ショッピング (Japanese only)

ZOZOTOWN (Japanese only)

LOHACO (Japanese only)

LINE SHOPPING (Japanese only)

LINE GIFT (Japanese only)

MySmartStore (Japanese only)

ヤフオク! (Japanese only)

PayPay フリマ (Japanese only)

ASKUL (Japanese only)

.com (Japanese only)

E-commerce transaction value

JPY 3.83 T

(FY 2021)

Number of products in Yahoo! JAPAN Shopping

Over 400 mil

(As of July 6, 2022)

Cumulative number of LINE GIFT users*

26 mil

(As of October 2022)

Number of Yahoo! JAPAN Mart stores

21

(As of November 2, 2022)

Number of items constantly listed in YAHUOKU!

76.3 mil

(As of November 2021)

Cumulative total of PayPay Flea Market app downloads

15 mil

(As of September 2022)

* Total number of unique users who have given or received LINE GIFT.

FY2021 – Results

Revenue

JPY 810.9 B

Adjusted EBITDA

JPY 131.5 B

Adjusted EBITDA (Margin)

16.2 %

Our View of the Market Environment

According to a survey[*1] conducted by the Japanese Ministry of Economy, Trade and Industry, the Japanese business-to-consumer (B2C) e-commerce market expanded by 8.61% year on year to JPY13.3 trillion in 2021, while the percentage of merchandise sold through e-commerce increased by 0.7 percentage points to 8.78%. After expanding dramatically in 2020 due to the effects of stay-at-home consumption during the COVID-19 pandemic, the market continued to grow in 2021, despite the fact that people had more opportunities to go out. This trend was driven by a year on year increase in the scale of B2C e-commerce market in Japan, reflecting growing acceptance of online shopping among consumers.

After showing negative growth in the previous year due to the impact of COVID-19, service-related markets also shifted to a positive growth trend with a 1.29% increase over the previous year's level. This growth, which occurred despite the continuation of the previous year's slump in travel and dining services, was attributable to the expansion of ticket sales and food delivery markets. Consumer-to-consumer (C2C) e-commerce market, including the online auction and flea-market app markets, is estimated to have expanded by 12.9% year on year to JPY2.2 trillion[*2].

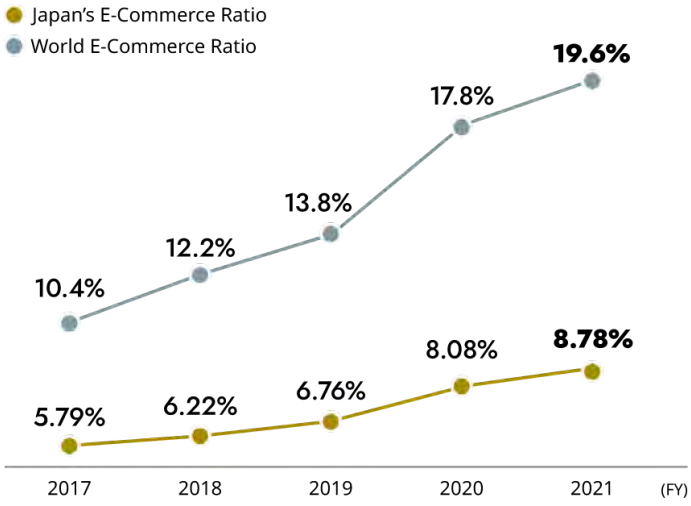
Furthermore, a survey conducted by Yano Research Institute[*3] indicated that the Japanese gift market expanded by 2.2% year on year to JPY10.1 trillion. The market for formal gifts, including gifts for ceremonial occasions, shrank due to the spread of COVID-19, but there is continuing strong demand for casual gifts exchanged between close family and friends to celebrate important life events, such as birthdays and wedding anniversaries, as well as seasonal events, indicating a renewed perception of gift giving as a means of communication and a way to share feelings.

Thus, consumers are shifting increasingly online, and this is expected to bring further growth in the market scale of our Commerce Business.

*1,*2 Source: Ministry of Economy, Trade and Industry, FY2021 Industrial Economic Research Commissioned Project (E-Commerce Market Survey)

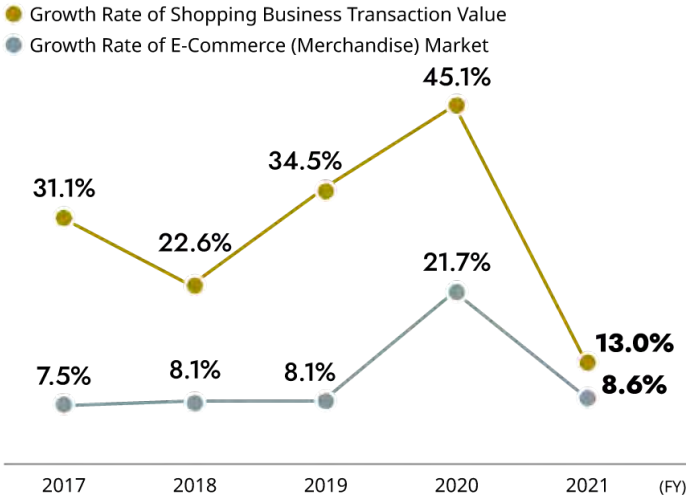
*3 Source: Yano Research Institute Ltd., Gift Industry 2021 (published January 28, 2022)

E-Commerce Ratio



Source: Ministry of Economy, Trade and Industry, FY2021 E-Commerce Market Survey

Comparison of Growth Rates of E-Commerce (Merchandise) Market* and Shopping Business Transaction Value



Source: Ministry of Economy, Trade and Industry, FY2021 E-Commerce Market Survey

Basic Policies on Business Strategies (Growth Strategies)

Services provided through the Commerce Business include services related to e-commerce and membership services. The following three 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. Promotion of cross-use and expansion of group ecosystem leveraging one of the largest user base and connecting the three action points

Yahoo Japan Corporation (“Yahoo! JAPAN”) has previously returned benefits to users through the provision of T-Points. However, in April 1, 2022 it switched to PayPay Points. In the future, we will further strengthen the linkage among the three action points, Yahoo! JAPAN, LINE and PayPay, our Group assets, by integrating our loyalty programs.

At the same time, we will work to increase the number of new e-commerce shoppers and transaction value, especially for LINE and PayPay users. These efforts are expected to accelerate cross-use of different segments and services, while also increasing membership numbers and transaction value for services that are closely linked to payment, such as PayPay Card and PayPay.
In addition, data obtained through Commerce and Strategic Businesses can be used to improve the accuracy of advertising and content distribution through our Media Business, enabling us to offer services that better suit users' interests.

Through these initiatives, we will build a solid user base, one of the largest in Japan, create a foundation for monetization and achieve rapid growth in our Media, Commerce, and Strategic Businesses.

2. Expansion of our Commerce Business leveraging the strengths of Z Holdings

While we continue to expand our major e-commerce businesses such as Yahoo! JAPAN Shopping, we will reinforce the strengths of the Z Holdings Group in FY2022.

Our competitive edge in Commerce Business is built on our ability to provide users with new purchasing experiences through the utilization of Group assets, such as the linkage of Yahoo! JAPAN Shopping with LINE's social graph. For example, merchants that open stores on Yahoo! JAPAN Shopping can easily establish one-on-one communication with users by utilizing LINE Official Accounts to distribute the latest information and respond quickly to inquiries. This creates experiences that provide value to both users and stores. LINE GIFT, built on LINE’s social graph, has continued to achieve a sustainable growth, bringing the cumulative total of users to approximately 10 million in FY2021. This was a result of the use of various Group assets to achieve a range of synergies, including collaborative marketing and system linkage with Yahoo! JAPAN Shopping.

By utilizing Group assets such as PayPay, Demae-can, ZOZO, and ASKUL, we will reinforce services that capitalize on the unique attributes of Z Holdings to capture diverse user needs and differentiate our services from those offered by competitors. One example of this approach is Yahoo! JAPAN Mart by ASKUL, which is being rolled out by Yahoo! JAPAN, ASKUL, and Demae-can. By demonstrating the advantages of the e-commerce services provided by Z Holdings through these initiatives, we aim to appeal directly to users and attract and retain more new shoppers.

Our ultimate goal is to accelerate the shift to e-commerce and contribute to the improvement of Japan’s e-commerce ratio through these new initiatives.

3. Assessment of continuation/withdrawal of new businesses in 3-5 years from service launch

To expand the number of new shoppers and transaction value for new businesses based on LINE’s social graph and our Group assets, we plan to make strategic investments, especially in sales promotion and advertising. We make decisions about whether to continue or withdraw from new businesses within 3-5 years from service launch. We are also continually targeting optimization through flexible decision-making about the scale of investment based on our perceptions of business environment, market conditions, investment returns, and other factors.

Our efforts to achieve these goals include the refinement of core value through investments focused primarily on customer base expansion and the enhancement of customer loyalty, leading to the maximization of transaction value across both online and offline domains. Through these initiatives, we aim to become number one in terms of transaction value in the Japanese merchandise e-commerce market in the first half of the 2020s. We also aim to use LINE services to strengthen our capacity to attract users and turn social commerce into a future growth driver.

Results of FY2021

Revenue of the Commerce Business for the consolidated FY2021 increased by 8.7% over the previous year's result to JPY810.9 billion, constituting 51.7% of total revenue. Factors contributing to this result included the March 2021 business integration with LINE Corporation, which became a consolidated subsidiary, and increased revenue from the ZOZO Group and ASKUL Group. Adjusted EBITDA was 13.7% lower year on year at JPY131.5 billion.

The transaction value of the domestic shopping business increased by 13.0% year on year to JPY1,697.1 billion. Reasons for this growth included the expansion of demand in step with the growth of the e-commerce market and the utilization of Group assets. This was paralleled by the growth of shopping-related advertising revenue, which was 13.1% higher year on year at JPY61.9 billion. While working to expand new businesses, such as LINE GIFT, through investment in sales promotion and other areas, we also continued the previous year's initiatives to enhance the efficiency of our sales promotion activities for Yahoo! JAPAN Shopping and other services, including changes to the point provision measure. This resulted in higher transaction value and the improvement of profitability.

The transaction value of the Reuse business increased by 9.2% year on year to JPY928.8 billion. In addition to the growth of YAHUOKU! (auction service), increased use of PayPay Flea Market also contributed to this result. YAHUOKU! increased spending per user by revitalizing transactions in big-ticket items. PayPay Flea Market has benefited from the continuous expansion of the market for flea market apps as a result of restrictions on going out due to the COVID-19 pandemic. In addition, the numbers of purchasers and items offered have more than doubled[*1] since PayPay Flea Market lowered its sales commission from 10% to 5% in January 2021. The cumulative downloads of PayPay Flea Market app, which reached 10 million in November 2021, continued to expand, exceeding 15 million in September 2022.

The transaction value of the O2O business (e.g., travel and restaurant bookings), which consists of Ikyu Corporation and other services, was 13.1% lower year on year at JPY450.2 billion. This resulted from restrictions on going out due to the COVID-19 pandemic.

We also worked to realize synergies with LINE Corporation through sales promotion initiatives based on the use of LINE Official Accounts for stores on Yahoo! JAPAN Shopping and PayPay Mall. As a result, the number of stores that opened accounts increased to 26,062 (as of March 31, 2022), while the accounts established by these stores contributed 66% of the combined total transaction value of Yahoo! JAPAN Shopping and PayPay Mall. We created a number of success stories, with the message open rate increasing approximately five times[*2] and CTR approximately four times[*2].

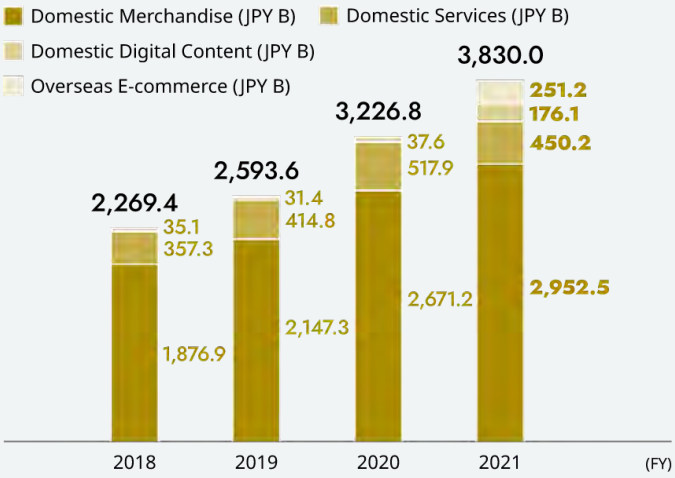
In addition, we used our investment in Demae-can as an opportunity to launch new initiatives that will strengthen the logistics capabilities of the Z Holdings Group and achieve further synergies in the last-one-mile area, with the aim of becoming number one in the Japanese food delivery market in terms of GMV. One example of this approach is Yahoo! JAPAN Mart by ASKUL, which works to create a world in which users can obtain the items they want when they want them, by realizing group synergies that combine the brand power of Yahoo! JAPAN, the product procurement capabilities of ASKUL, and the user base and delivery quality of Demae-can.

We will use these new initiatives to leverage the competitive advantages of the Z Holdings Group to expand our Commerce Business.

*1 Comparison between December 2020 and December 2021

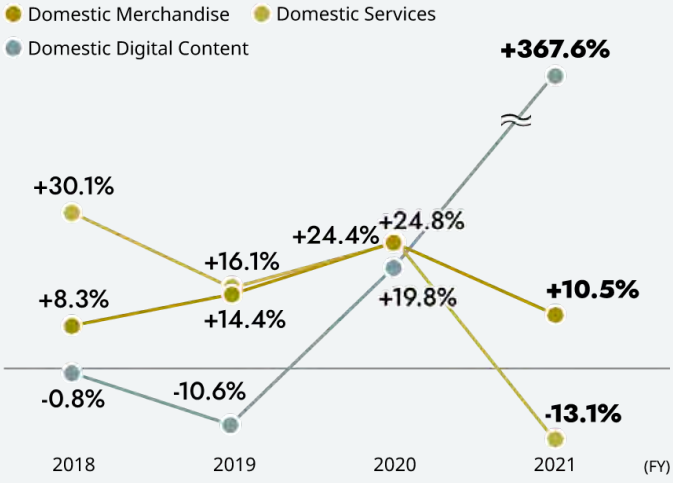
*2 Compared the average of LINE Official Accounts opened by Yahoo! JAPAN Shopping and PayPay Mall merchants, to average of store newsletters. Figures for November 2021 – March 2022.

Group E-Commerce Transaction Value



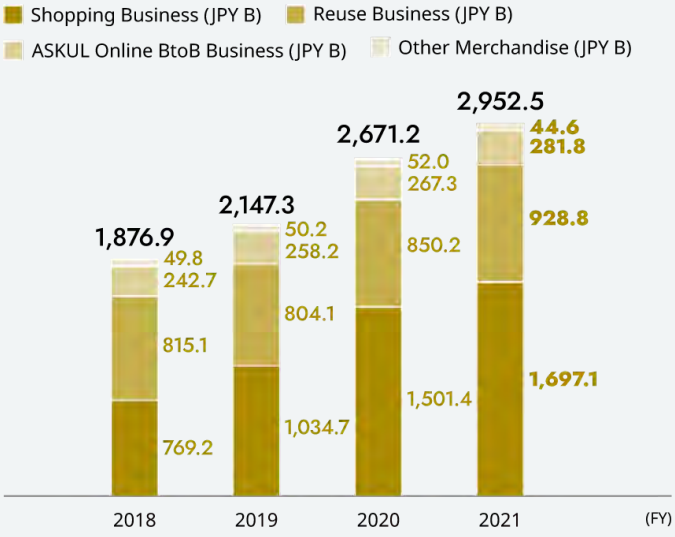
Source: Z Holdings Corporation Earnings Slides

Group E-Commerce Transaction Value Growth Rate



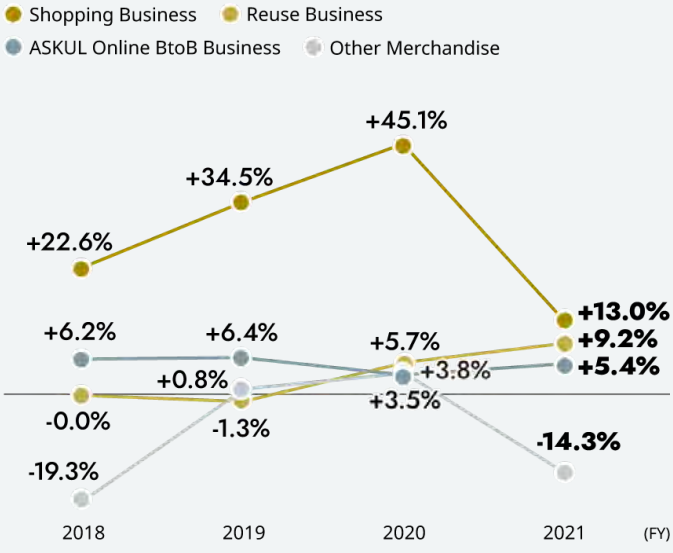
Source: Z Holdings Corporation Earnings Slides

Domestic Merchandise Transaction Value



Source: Z Holdings Corporation Earnings Slides

Domestic Merchandise Transaction Value Growth Rate (YoY)



Source: Z Holdings Corporation Earnings Slides

Priority Initiatives in FY2022

From FY2022, we have revised the definition of e-commerce transaction value, a key KPI, to include the transaction value of overseas e-commerce in the sum of transaction values for domestic merchandise, services, and digital content. For FY2022, we expect a 5-15% year on year increase in e-commerce transaction value and a 16.4% year on year increase in adjusted EBITDA to JPY153.0 billion.

One of our initiatives to achieve these results is the integration and renewal of Yahoo! JAPAN Shopping and PayPay Mall[*1]. Since launching PayPay Mall in October 2019, we have provided two different e-commerce services, with Yahoo! JAPAN Shopping offering an extensive lineup of merchandise, and PayPay Mall a range of carefully selected stores. However, user feedback indicated that some people found this arrangement confusing because of differences in designs, functions, campaigns, and concepts. Furthermore, traffic referral from the services of the Group companies of Z Holdings tended to be dispersed. To overcome these issues, the new Yahoo! JAPAN Shopping, launched in October, not only offers refined design and search functions, but also sets higher standards for "blue ribbon stores," and displays and promotes more carefully selected "blue ribbon stores" indicated by icons that are easy to recognize on the list of search results. Referral from the top page of the new Yahoo! JAPAN Shopping is also reinforced to provide a more safe and secure shopping experience to the users. Leveraging the Group assets, which include Yahoo! JAPAN, LINE, and PayPay, the traffic referral to the new Yahoo! JAPAN Shopping will be unified and maximized to bring further growth.
Our plans for FY2022 include Group-wide strategic investments totaling JPY50-70 billion, of which we plan to allocate approximately 50% to the Commerce Business. In addition to existing services, such as Yahoo! JAPAN Shopping and PayPay Mall[*1], we will also invest in new e-commerce services based on LINE assets, such as LINE GIFT and MySmartStore. Another investment target will be the expansion of order traffic on the new Yahoo! JAPAN Mart service launched in the previous fiscal year. We will also invest in the overseas e-commerce services established by LINE from the current fiscal year in Taiwan and Thailand to expand KPIs, including the number of new purchasers, transaction value, and the number of orders.

*1 Integrated with Yahoo! JAPAN Shopping as of October 12, 2022

The Z Holdings Group works to solve various issues using its information technology and web services, to contribute to the realization of a sustainable society.

Contributing to the Realization of a Sustainable Society through the Expansion of Circular Services

Yahoo! JAPAN contributes to the building of a circular economy through its reuse-based e-commerce business, which consists of YAHUOKU! and PayPay Flea Market. By facilitating the reuse of redundant items through their sale to those who need them, the services make positive contributions to the creation of a circular economy. Cyclical reuse also curbs consumption of new resources, eliminates CO2 emissions from manufacturing, and reduces waste. In addition, both platforms operate charity projects and work to engage with the society in various ways.

→ YAHUOKU! (Japanese only)

→ PayPay Flea Market (Japanese only)

As one of the leading retailers of clear plastic folders in Japan, ASKUL ensures the effective utilization of limited resources, reduces CO2 emissions, and fulfills its responsibilities as a merchant by recycling the resources used in these items. Used plastic folders returned by participants throughout Japan are sorted and recycled to create raw materials for new products.

In its BtoC service LOHACO, ASKUL collaborates with various brands and companies to deliver the “GO Ethical Project." In this initiative to reduce unnecessary waste to zero, high-quality products that were discarded for various reasons before they could reach customers, are sold at outlet prices.
(GO Ethical Project received the Good Design Award 2022.)

→ ASKUL Sustainability Report　Resource Recycling (Japanese only)

→ ASKUL Resource Recycling Platform (Japanese only)

→ LOHACO “GO Ethical Project" (Japanese only)

ZOZO operates ZOZOUSED, a reuse-based business that buys and sells used clothing.
It offers a trade-in service, "Replacement Discount," to encourage customers to recycle old and new clothing. As part of its efforts to reduce resource consumption, it also provides "Reuse Bags," which are cleaned and reused to be used for sending trade-in items.

On September 1, 2022, ZOZO launched a new order-based sales system. Marketed as “Made by ZOZO," this new production support platform helps fashion brands to reduce their inventory risk to zero.

According to the Japanese Ministry of the Environment*1, the quantity of apparel supplied in Japan has continued to expand over the years, despite market contraction. Fearing that this could result in a mass-production/mass-waste trend, the Ministry has expressed concern about business models that constantly result in surplus inventories.
ZOZO has accumulated a vast resource of fashion-related data through ZOZOTOWN, which has over 10.61 million*2 buyers per year. It has also acquired extensive knowledge of the private-brand business. It launched the “Made by ZOZO” system with the aim of using these resources to contribute to the solution of issues affecting the fashion industry by combining its sales capabilities as a fashion e-commerce operator to support the upstream production activities.

*1 Source: Ministry of the Environment, SUSTAINABLE FASHION

*2 As of June 30, 2022

→ ZOZOUSED Initiatives

→ “Made by ZOZO” -- Production support platform (Japanese only)

→ SUSTAINABLE FASHION (Japanese only)

Merchandise E-Commerce

Shopping Business

Yahoo! JAPAN Shopping

Operated by Yahoo! JAPAN, Yahoo! JAPAN Shopping is one of Japan's largest online shopping mall and offers a vast array of products ranging from popular home appliances to groceries, daily necessities, and ideal gift options. On October 12, 2022, Yahoo! JAPAN Shopping, which has one of the largest product catalogue in Japan with over 400 million items, and PayPay Mall combined their strengths, and the two platforms were integrated to a renewed Yahoo! JAPAN Shopping.

→ More details (Japanese only)

ZOZOTOWN

ZOZOTOWN is an e-commerce website covering over 1,500 stores and 8,500 brands. With an average of over 2,600 new products becoming available each day, the site consistently offers a range of over 900,000 products (as of June 30,2022).
ZOZOTOWN also operates ZOZOCOSME, a mall specializing in cosmetics, ZOZOSHOES footwear mall, and ZOZOVILLA, an outlet for luxury designer goods. Services offered by ZOZOTOWN include same-day delivery, gift wrapping, and Tsukebarai (deferred payment option), which allows customers to pay for items two months after purchasing.

→ More details (Japanese only)

LOHACO

Launched in October of 2012, LOHACO is a shopping website specializing in everyday household goods. With a cumulative customer base that reached approximately 9.3 million in August 2022, LOHACO is strongly supported by consumers and recorded a revenue of JPY54.3 billion in the fiscal year ended May 2022. The name “LOHACO” is derived from the phrase “Lots of Happy Communities.” Based on the concept of “lightening your life,” LOHACO offers a diverse array of products, ranging from daily necessities such as food and drinks, detergents and kitchen supplies, pharmaceuticals, and cosmetics, through to pet supplies and interior goods, as well as original items available exclusively through LOHACO. LOHACO combines reasonable pricing with timely deliveries.

→ More details (Japanese only)

Yahoo! JAPAN Mart by ASKUL

Launched in July 2021, Yahoo! JAPAN Mart specializes mainly in food and other daily necessities and offers shoppers a selection of approximately 2,000*1 products supplied by ASKUL via the Demae-can service. Customers can have goods delivered in as little as 15 minutes*2 after placing an order and making payment. Demae-can delivery staff collect the items from dedicated outlets in Tokyo after receiving orders and deliver the items to the designated locations on bicycles or motorbikes. Yahoo! JAPAN Mart expands its business activities through synergies achieved by leveraging the strengths of various Z Holdings Group companies. As of November 2, 2022, Yahoo! JAPAN Mart operates a total of 21 outlets in Tokyo and Chiba*3. There are also plans to open three new outlets in Nerima Ward and other locations in the fall of 2022 as part of the continuing expansion of its service area, primarily in Tokyo.

*1 Product ranges and numbers vary by stores.
*2 Delivery times are intended as estimates only. Deliveries may arrive earlier or later than estimated due to weather, traffic and other circumstances.
*3 Current store locations are listed on the Yahoo! JAPAN Mart website below.
https://mart.yahoo.co.jp/ (Japanese only)

→ More details (Japanese only)

LINE SHOPPING

With LINE SHOPPING, customers can use the LINE app to purchase items from a range of over 100 million items from approximately 250 companies, including fashion goods, sundries, sporting goods, interior goods, home appliances, and cosmetics. This highly competitive service allows users to search for and compare listed items and earn LINE POINTS on their purchases.

→ More details (Japanese only)

LINE GIFT

LINE GIFT is a communication service that allows users to exchange gifts with their friends via LINE chat. Gifts can easily be sent even if the recipient’s address is unknown and a face-to-meeting is not possible. This service is ideal for a variety of situations, such as seasonal celebrations and important life events, or simply as a way to send a token of gratitude. LINE GIFT now offers 170,000*1 items from 1,400 stores, ranging from low-cost convenience store coffee to elaborate gifts. This diverse product lineup makes it easy to find a gift that will delight the recipient on any occasion.

*1 As of October 2022

→ More details (Japanese only)

MySmartStore

MySmartStore is an online store creation service localized for Japan from NAVER SmartStore, which is currently provided by NAVER in South Korea. Using NAVER's know-how, MySmartStore offers an extensive range of design layouts and editing functions that can be used even by complete beginners to create unique stores suited to various devices.
By linking their stores to LINE Official Accounts, store operators can also develop coupon offers or other sales promotions and respond to customer inquiries using the chat format on LINE, in the way users communicate with each other. This digital approach to customer service also helps to build customer loyalty.
Analytical data useful for sales strategies, such as top-selling products, can be viewed from the store's management screen, and there is also a feature to identify key customer profiles and the routes through which they access the store sites. The aim is to create a one-stop service covering everything from store opening and operation to support for attracting and managing customers.

→ More details (Japanese only)

Reuse Business

YAHUOKU!

As one of Japan’s largest online auction and flea market app, YAHUOKU! provides an easy and secure way to trade, find, and purchase items that are not available in stores. It is the ideal way to discover exclusive products, limited-edition items, and items not sold through retail channels, such as other flea market and online shopping apps, e-commerce outlets, and fashion apps.

→ More details (Japanese only)

PayPay Flea Market

PayPay Flea Market is an app that enables users to trade various items on the smartphone, as if they were trading in flea markets. All items can be purchased free of shipping charges[*1], with sellers paying a discounted uniform shipping fee anywhere in Japan. Users can make and receive payments via PayPay.

→ More details (Japanese only)

ZOZOUSED

ZOZOUSED handles used clothing from 6,464 brands. Used clothing and second-hand products from popular brands are available for purchase online.

→ More details (Japanese only)

ASKUL Non-Consolidated Online BtoB Business

ASKUL

ASKUL is an e-commerce website providing goods and services needed by all working people*1. With a lineup of over 11 million items*2, it offers a comprehensive selection of products for customers working in a wide range of industries.

*1 Only sales via the Internet are included in ASKUL's non-consolidated BtoB business.

*2 As of August 2022

→ More details (Japanese only)

SOLOEL ARENA

SOLOEL ARENA offers users a simple and convenient way to improve their purchasing activities by using the Internet. This one-stop service provides extremely easy and convenient access to a variety of goods and services, including ASKUL office supplies with a next-day delivery guarantee, tools, such as drills and benches, and scientific supplies, including beakers and flasks, as well as PCs, peripherals, and subsidiary materials and services for use in production processes.

→ More details

Services E-Commerce

Ikyu.com

Through its booking system, Ikyu.com provides access to high-quality services, including accommodation at luxury hotels and traditional high-end inns, and meals at carefully selected restaurants. All of the hotels, inns, restaurants, and spas listed on the Ikyu.com site are thoroughly screened to ensure that they meet Ikyu.com's own rigorous standards. Ikyu.com can be used with confidence for a wide range of occasions, including precious time spent with loved ones, fun family events, luxury experiences shared with special friends, and business trips with enhanced comfort.

→ More details (Japanese only)

Yahoo! JAPAN Travel

Yahoo! JAPAN Travel provides users an easy way to find and reserve accommodation facilities that meet individual requirements. Users can also freely combine their desired domestic accommodation and airline tickets to create an original package tour on Yahoo! JAPAN Pack and earn rewards, such as PayPay points and flight miles. Yahoo! JAPAN Premium members are further eligible to special offers designed to support travel through great savings.

→ More details (Japanese only)

Others

Yahoo! JAPAN Premium

Yahoo! JAPAN Premium is one of Japan's biggest monthly membership service. It provides access not only to Yahoo! JAPAN Shopping, but also to travel and entertainment experiences at special prices. SoftBank smartphone and Y!mobile users can access all Yahoo! JAPAN Premium membership benefits at no additional charge. In addition, Yahoo! JAPAN Premium members can participate in regular sales and a variety of campaign events.

→ More details (Japanese only)

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