Strategic Business

Last updated: 12/22/2022

We will create new revenue pillars centering on the fintech domain.

PayPay (Japanese only)

PayPay Card (Japanese only)

PayPay Bank (Japanese only)

PayPay Insurance Service (Japanese only)

LINE Pay (Japanese only)

LINE Securities (Japanese only)

LINE Pocket Money (Japanese only)

LINE NFT (Japanese only)

LINE ドクター (Japanese only)

PayPay
registered users

Over 51 mil

(As of September 30, 2022)

FY2021
PayPay GMV

JPY 5.4 T

PayPay Card
Active card holders

9.05 mil

(As of September 30, 2022)

PayPay Bank
Deposit balance

JPY 1.5 T

(As of September 30, 2022)

LINE Securities
No. of accounts

1.5 mil

(As of September 30, 2022)

LINE Pocket Money
Cumulative applications

1 mil

(As of March 2022)

FY2021 – Results*

Revenue

JPY 110.7 B

Adjusted EBITDA

–JPY 11.3 billion

Adjusted EBITDA

(Margin)

N.A.

* 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.

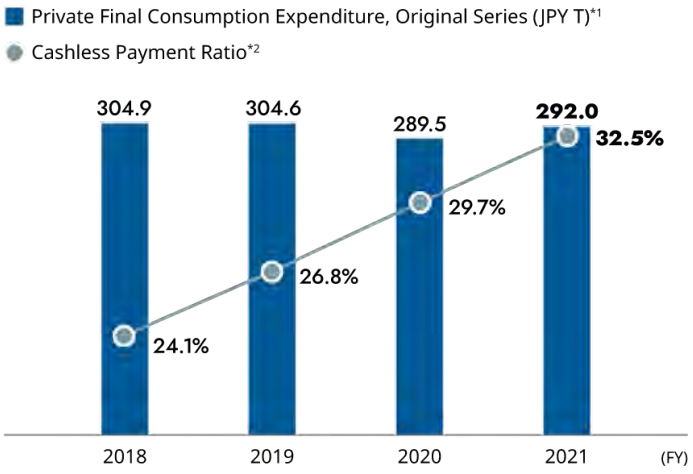
Our View of the Market Environment

The Japanese Ministry of Economy, Trade and Industry promotes cashless payments with the aim of increasing the ratio of cashless payments to around 40% by 2025, and then further to the world's highest level of 80%. The ratio is rising steadily and reached 32.5%*1 in 2021, out of which 27.7% was credit card payments, 2.0% e-money, 1.8% code payments, and 0.92% debit cards.
The Indicator of domestic spending using credit cards, which makes up the largest share of cashless payments, is the amount of credit provided. In 2021, this increased by 8.8% over the previous year's level to JPY81 trillion*2. Payments made using QR codes at stores also expanded dramatically in 2021, with a 74.9% year on year increase to JPY7.3 trillion*3, while the number of in-store payments was 80.1% higher at 4.9 billion times. Our estimates indicate that PayPay has continued to account for around two-thirds of the QR code payment market, which means that this trend will contribute not only to higher GMV for PayPay and LINE Pay, but also further expansion of the QR code payment market itself.

Another factor that is driving this trend toward the increased use of cashless payments is a rise in the ratio of e-commerce transactions in Japan. This reflects the promotion of at-home consumption as a way of reducing the risk of infections during the COVID-19 pandemic, and accelerating a transition to e-commerce by companies that have previously focused primarily on business through bricks-and-mortar stores. These environmental changes can be expected to provide the impetus for further expansion of the cashless payment market.

*1 Source: Ministry of Economy, Trade and Industry, Cashless Payment Ratio for 2021
*2 Source: Japan Consumer Credit Association, Credit Statistics of Japan (2021)
*3 Source: Payments Japan Association, STATS – CODE PAYMENT (April 18, 2022)

Cashless Payments as a Percentage of Domestic Private Final Consumption Expenditure



*1 Cabinet Office, Quarterly Estimates of GDP, Nominal, Original Series, March 9, 2022

*2 Ministry of Economy, Trade and Industry, Press Release, June 1, 2022

Basic Policies on Business Strategies (Growth Strategies)

Strategic Business includes activities with the potential to become future revenue pillars next to the Media and Commerce Businesses, especially in the fintech area. We aim to achieve business growth by pursuing the following three policies.

1. Expansion of the Payment and Financial Businesses around PayPay

PayPay was launched on October 5, 2018 as a mobile payment service. During the first three years, priority was given to expansion of the service base, including the numbers of registered users and merchants, through large-scale campaigns, including the "10 Billion Yen Giveaway Campaign." As a result, the number of registered users increased to approximately 51 million. While continuing these initiatives to enlarge the PayPay user base, we will also launch full-scale measures to expand monetization. This will require the expansion of the payment and financial businesses around PayPay.

● PayPay Card

In addition to the launch of PayPay Atobarai (deferred payment), which enables users to defer their payments without topping up the PayPay Balance, we also aim to achieve further growth in the number of active cardholders and transaction volume by reinforcing the links with PayPay.

● PayPay Bank

There has been growth in various KPIs, including the number of accounts and the deposit balance, since the change in the trade name. Closer collaboration with the Z Holdings Group is expected to bring further growth in the future.

● PayPay Securities

On April 15, 2020, we launched the “Point Management” service, which allows users to experience pseudo investments via PayPay mini app. By March 2022, the number of users of this service has exceeded 6 million, and we aim to achieve further growth in the numbers of Point Management users and securities accounts.

● PayPay Insurance

We are currently working to expand "scenario insurance" services. Scenario insurance is a collective term for insurance services attached to commerce services, especially those provided by Yahoo Japan Corporation (“Yahoo! JAPAN”), to meet user needs in relation to various service-related actions, such as "Repair Warranty," and "Travel Cancellation Insurance." We will expand the number of insurance policies issued by making these services easily available through the PayPay mini app.

In addition to these initiatives, we are also working toward the integration of our domestic QR code payment businesses, PayPay and LINE Pay. We will continue our efforts to reinforce the payment and financial businesses around PayPay to make it a new revenue pillar. In October 2022, PayPay Corporation became a consolidated subsidiary. Going forward, we will further expand the Z Holdings Group ecosystem by using the massive customer bases of LINE, Yahoo! JAPAN, and PayPay as a foundation for closer collaboration.

2. Expansion of new businesses

In addition to its payment and financial businesses, LINE had launched various new businesses before the business integration, and LINE continues to work on several new businesses after the integration.

One such initiative is the non-fungible token (NFT) business. The proliferation of blockchain technology as the basis for crypto- assets has triggered an explosion in the use of NFTs in every industry, including digital content, game items, and the metaverse. There is intense global interest in this new technology. LINE Corporation began offering NFT Market in June 2021 and commenced trading in NFT items based on its own original blockchain, known as the “LINE Blockchain.” It plans to expand the NFT business globally as well as in Japan, and in December 2021, it established LINE NEXT Corporation in South Korea and LINE NEXT Inc. in the United States.

LINE will leverage its unique competitive advantages, including a global customer base of over 193 million, and the ability to link knowledge from its global and Japanese services, to ensure the spread of the NFT business.

In the healthcare field, LINE Doctor, an online medical consultation service was launched in December 2020 ahead of a full-deployment. This is a one-stop service that allows patients to book medical appointments, speak with a doctor over free video call, and make payments for consultations all on the LINE app. LINE users who feel unwell can contact a physician and obtain advice via the LINE app. The LINE Doctor service is available nationwide, including the Kanto region and surrounding areas, as well as the Hokkaido, Kinki, Chubu, and Kyushu regions. Users span a wide range of age groups, with the majority aged in their 30s and 40s. Demand for online medical consultation has risen during the COVID-19 pandemic, and the number of consultations in February 2022 was over 20 times higher than in February 2021. This growth can be attributed to a growing need to obtain medical services even when physically unable to go out, as successive waves of COVID-19 triggered infections within households and among children. We will continue our efforts to create an environment in which people can select the optimal way to access medical care.

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

The Strategic Business segment includes businesses with the potential for future market expansion, such as payments and finance, AI, and healthcare. These businesses are likely to require forward investment in initiatives to expand markets and business infrastructure. We make investment decisions flexibly, based on the business environment, market trends, and other factors, as well as the nature and scale of each investment. We also optimize resources by making decisions about whether to continue with or withdraw from new businesses within 3-5 years from service launch. In line with these policies, we execute investments for a variety of purposes, such as product development or the expansion of the user base for new financial services. We aim to build these businesses into our third and fourth income pillars alongside the Media and Commerce Businesses.

As guideline, we expect Strategic Business to increase top-line revenue by over 30-40% year on year. Our longer-term target is to generate adjusted EBITDA of JPY100 billion from the Strategic Business. As we work toward this target, we aim to achieve positive adjusted EBITDA results within a few years.

Results of FY2021

Revenue of the Strategic Business for the consolidated FY2021 increased by 26.7% year on year to JPY1,107 billion, constituting 7.1% of total revenue. Contributing factors included the March 2021 business integration with LINE Corporation, which became a consolidated subsidiary, and growth in the fintech area. Adjusted EBITDA was 159.6% lower year on year at -JPY11.3 billion.

Results for the credit card business show double-digit growth in two key indicators, with the number of active cardholders increasing by 10.6% year on year to 8.31 million, and transaction volume by 19.8% to JPY2,908.1 billion. The revolving balance expanded by 13.2% to JPY184.7 billion.

In preparation for closer collaboration with PayPay, the company changed its trade name from YJ Card Corporation to PayPay Card Corporation on October 1, 2021 and began to issue PayPay Card from December 1 of that year. PayPay Card is offered in both plastic and virtual formats. A key advantage with the virtual card is that it can be used as soon as the screening process has been completed. The plastic card offers various features to enhance user convenience and security, including no card numbers printed on the card itself and its compatibility with contactless payments.

In February 2022 we launched PayPay Atobarai (deferred payment). This allows users to make their PayPay payments without topping up their PayPay Balance each time, and to pay the current month's charges in the following month in a lump sum. Average spend per payment tends to be higher than normal PayPay Balance payments when users use PayPay Atobarai[*1], which indicates that it is contributing to average spend of PayPay, in addition to the enhancement of user convenience.

In the banking business, The Japan Net Bank changed its trade name to PayPay Bank on April 5, 2021, prior to PayPay Card. PayPay Bank achieved significant growth in its KPIs, with the number of accounts increasing by 17.6% year on year to 6.02 million, the deposit balance by 20.1% to JPY1,461.7 billion, and the loan balance by 68.6% to JPY416.7 billion. The name change resulted in clearer identification with PayPay, which enhanced the effectiveness of marketing and contributed to the expansion of the Bank's business base.

While using PayPay as a hub for the expansion of our financial services, we will also pursue a strategy of selection and concentration in the area of payments and finance, in part as a way of realizing synergies with the PayPay business. As part of this process, we announced the transfer of all shares in YJFX, Inc., formerly a wholly owned subsidiary, on May 25, 2021.

Financial services offered mainly by LINE Corporation also achieved growth in several businesses. There was a dramatic increase in the number of LINE Securities accounts, which reached 1 million in approximately 26 months since service launch at the end of October 2021. This represents a two-year compound annual growth rate (CAGR) of 210.8%. The two-year CAGR for the balance of through LINE Pocket Money, a personal loan service, also rose sharply to 176.3%. This growth can be attributed to our efforts to respond to potential financial needs through LINE. We will continue to focus on the expansion of these services. LINE's international financial businesses are also expanding. LINE BK in Thailand increased its loan balance by a factor of 3.0 year on year, while in Taiwan the number of LINE Bank users at the end of FY2021 was 7.6 times higher than that of the first quarter of FY2021. In particular, LINE Bank’s user base exceeded 1.1 million within just one year of the launch of its services in Taiwan.

We also launched initiatives to generate synergies following the business integration with LINE Corporation. One such initiative was the move towards the integration of PayPay and LINE Pay around QR code payment business in Japan. On August 17, 2021, we began the linkage of the merchant-presented mode (MPM), enabling users to make LINE Pay payments at merchants offering PayPay user scan payments. This has enhanced user convenience by increasing the number of locations where LINE Pay can be used, including offline PayPay merchants. We have also achieved cost synergies, including reductions in the cost of recruiting and managing LINE Pay merchants. We also plan to link the consumer-presented mode (CPM) payments, which will allow LINE Pay to be used with merchants using the PayPay store scan system. In addition, we aim to enable the use of PayPay Balance to make payments via the LINE Pay app to maximize the PayPay user base and further increase GMV. Through these initiatives, PayPay and LINE will both offer superb user convenience while ensuring user safety and security.

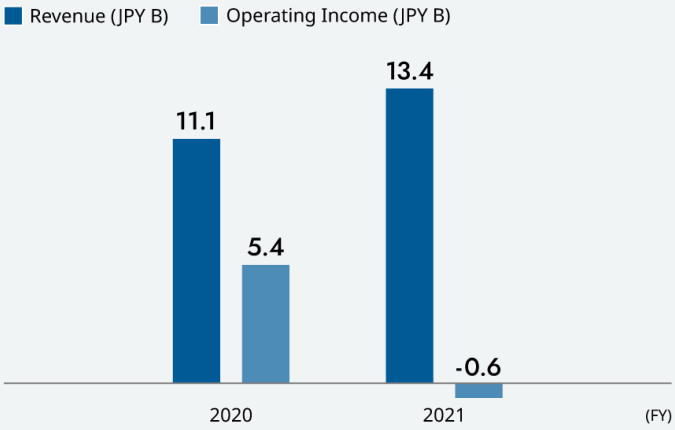
In FY2021, PayPay’s GMV increased by 67.2% year on year to JPY5.4 trillion, indicating that it has built a solid position in the domestic QR/barcode payment market. The most important KPI for PayPay is the number of payments, which also rose dramatically, with a 78.3% year on year increase to 3.6 billion transactions. These figures indicate that people are increasingly using PayPay for payments on a regular basis. In addition, the number of registered PayPay users increased by 23.0% year on year to 46.79 million, and the number of PayPay merchants by 16.0% to 3.66 million, indicating that PayPay is building an increasingly robust business base.

FY2021 also brought significant improvement in PayPay’s financial performance. One reason for this was the introduction, on October 1, 2021, of payment fees to small and medium-sized merchants, which had previously not been charged. There are two types of payment fees. For merchants registered under the PayPay My Store Lite Plan, which allows merchants to distribute their own store information and coupons to users, there is a monthly charge of JPY1,980 and a payment fee of 1.60%. For other merchants, the fee is 1.98%. These are the lowest payment system fees in the cashless payment industry in Japan. These low fees have attracted a growing number of merchants since their introduction in October and are also contributing to the expansion of revenue, with the result that income before acquisition cost[*2] shifted into positive figures in the third quarter of FY2021.

*1 The average spend per payment by PayPay Balance and PayPay Atobarai between February 1 and March 31, 2022

*2 Profit derived by deducting cost of sales (fund source costs + regular user rewards) and fixed cost from revenue.Fund source costs: Fees paid by PayPay to financial institutions when users deposit money into PayPay from their bank accounts, etc.

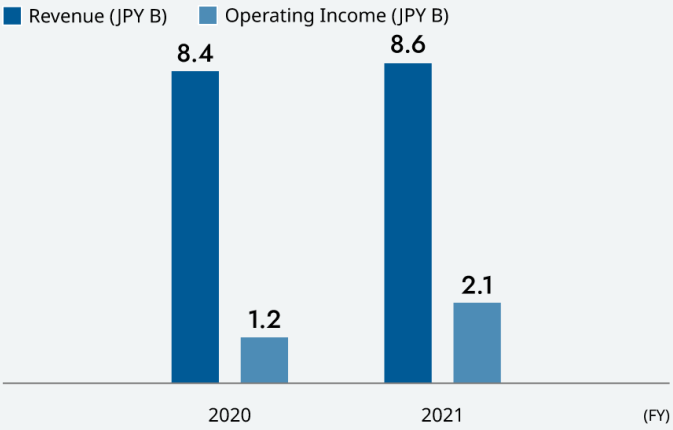
PayPay Card Revenue/Operating Income (Non-Consolidated IFRS)*1



*1 Figures before elimination of internal transactions within the Z Holdings Group. Revenue and operating income are independently calculated by making relevant IFRS adjustments from non-consolidated figures under JGAAP.

Source: Z Holdings Corporation Earnings Slides

PayPay Bank Revenue/Operating Income (Non-Consolidated IFRS)*1



*1 Figures before elimination of internal transactions within the Z Holdings Group. Revenue and operating income are independently calculated by making relevant IFRS adjustments from non-consolidated figures under JGAAP.

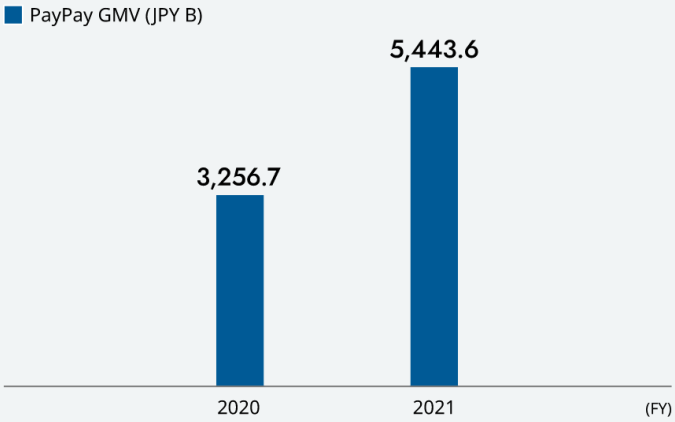
Source: Z Holdings Corporation Earnings Slides

Priority Initiatives in FY2022

In FY2022, we expect fintech revenue to reach JPY190.0-210.0 billion, a year on year increase of between 66.4% and 83.9%. We are projecting adjusted EBITDA of -JPY49.0 billion. For revenue, we aim to increase fee revenue from payment fees and revolving and cash advance transactions, by expanding various KPIs such as the number of active users and accounts, and transaction volume mainly for PayPay Card. However, earnings are expected to remain negative because many of our businesses in the Strategic Business still require investments to expand their business bases.

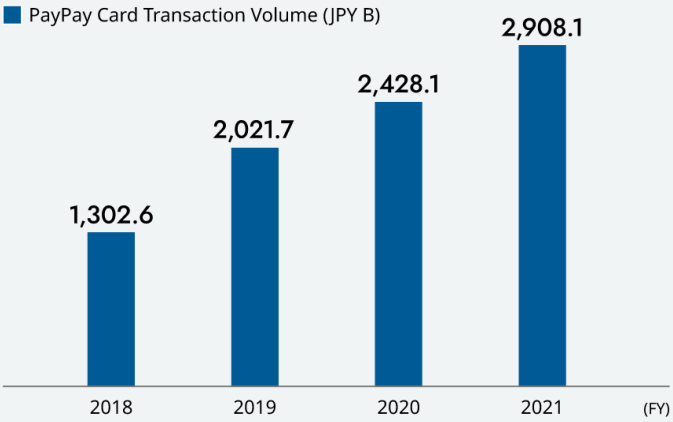
We plan to execute a strategic investment in the scale of JPY50-70 billion in FY2022, and around 30% is planned to be spent in the Strategic Business. We will invest primarily in PayPay Card, with the aim of expanding its active cardholder base and transaction volume. However, we will also invest in initiatives to expand the LINE NFT user base. The actual amount invested may vary, since we will adjust our approach flexibly to reflect the business environment and market trends. As stated in Basic Policies on Business Strategies (Growth Strategies), we aim to reach our financial forecasts for the current fiscal year by maximizing our top-line results through the growth of PayPay use and the expansion of our payment and financial businesses.

PayPay GMV



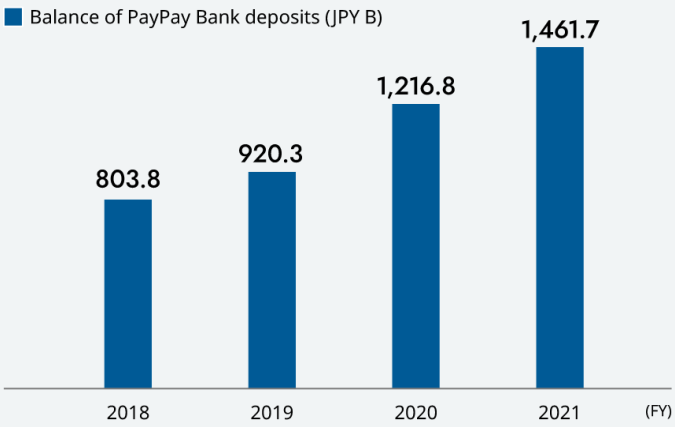
Source: Z Holdings Corporation Earnings Slides

PayPay Card Transaction Volume



Source: Z Holdings Corporation Earnings Slides

Balance of PayPay Bank Deposits



Source: Z Holdings Corporation Earnings Slides

Sustainability Initiatives in the Strategic Business

The Z Holdings Group aims to grow into a world-leading AI tech company from Japan and Asia by consistently using data and AI to combine user convenience with exciting experiences. Specifically, our goal is to create new experiences by promoting cross-use among diverse services, improving data quality through data linkage, performing AI analysis, and effectively repeating this cycle. Our approach to the realization of this goal will include the development of structures and systems, investment in technology, and education.

Support Your Local Town Project

The COVID-19 pandemic has had a major impact on regional economies. PayPay is working with local governments to boost regional economies throughout Japan through campaigns and other initiatives based on the PayPay payment platform.

Participation in the campaigns is simple, since PayPay can be used at over 3.87 million locations[*1], ranging from local stores to major chains. In addition, local governments can use PayPay instead of issuing and redeeming gift certificates and other items used to boost local economic and community activities. There are many advantages for both local governments and users, including the fact that gift certificates can be purchased without visiting the locations concerned. Another benefit is the fact that these campaigns can be used to promote new lifestyles through the spread of cashless payments.

*1 As of September 30, 2022

→ Announcement from PayPay: "Support Your Local Town Project" in Conjunction with Local Governments (Japanese only)

→ Support your local town with PayPay! Many campaigns held at various towns! (Japanese only)

“LINE Doctor” Online Consultation Service

LINE Doctor is a one-stop service that allows patients to book medical appointments, speak with a doctor over free video call, and make payments for consultations all on the LINE app. Demand surged during the seventh wave of the COVID-19 pandemic in Japan, when people suffering from fever symptoms were increasingly unable to obtain medical appointments and many reported that calls to hospitals went unanswered. In both July and August of 2022, the number of medical consultations reached its highest level since the introduction of the service.

In an initiative to alleviate the anxiety experienced by people who refrain from visiting hospitals due to fever symptoms or are forced to recuperate at home, LINE Healthcare has also created a special web page listing hospitals that can provide online medical consultations for patients recuperating at home*.

We will continue to enhance the usability of this service by reflecting input from users and medical professionals. We aim to create an environment in which users can choose the optimal form of care for their symptoms and lifestyles by combining online and face-to-face consultations.

* Patients should initially seek advice from a local government office in their communities concerning definitive diagnoses by physicians.

→ More details (Japanese only)

Fintech

PayPay

Use of PayPay's cashless payment service continues to expand throughout Japan. It is used in a wide range of payment situations, including not only major retail chains, but also small and medium sized stores, vending machines, taxis, and public transport. Other popular uses for PayPay include payment for online services and utility bills. In addition to payments, PayPay is increasingly being used as a convenient option for purposes other than payments. For example, PayPay users can use their PayPay Balance (PayPay Money and PayPay Money Lite) to send or receive cash without commissions. They can also exchange their PayPay points for points issued by a partner service provider, enabling them to participate in other activities, such as pseudo investment experiences through the "Points Management" service. In addition, PayPay is continually enhancing its user security environment, which includes a 24/365 telephone advice service, and a scheme to provide compensation in the unlikely event of fraud.

→ More details

PayPay Card

PayPay Card is a payment service that can be used in stores that accept PayPay and credit cards. Yearly membership charges have been permanently reduced to zero. The service can also be used to make payments in situations where the PayPay Atobarai (deferred payment) service is not available, such as online shopping and shops that are not PayPay merchants, but are credit card merchants. In addition to zero membership charges, users can also receive a special PayPay Card benefit in the form of PayPay points equivalent to 1% of every JPY100 spent[*1].

*1 Points may not be available for certain items covered by special campaigns. For details, please check the campaign page. Points are not awarded for PayPay Card benefits.

→ More details (Japanese only)

PayPay Bank

PayPay Bank is an online bank accessed via the Internet or through a smartphone app. Customers enjoy unique new advantages and convenience. Almost all transactions can be completed on the Internet, and customers can process transfers and other types of payments from their homes or offices without the need to go to a branch office or an ATM. PayPay Bank also offers many other services made possible by its characteristics as a bank that operates exclusively via the Internet.

→ More details (Japanese only)

LINE Pay

Easily accessible through LINE, one of Japan's biggest communication apps, LINE Pay is a convenient mobile remittance and payment service with a variety of useful money-related functions. These include cash transfers with LINE friends, sharing a restaurant bill, and the LINE Pay Kantan Sokin (easy remittance) service, which enables funds to be transferred from companies to individuals. The convenience of LINE Pay has been further enhanced through the creation of a range of payment methods, including code payments, touch payment methods that are compatible with Apple Pay and Google Pay™, and a "buy now pay later" service using Visa LINE Pay Credit Card. In 2021, LINE Pay began to collaborate with PayPay on code payments, allowing LINE Pay users to make payments not only in LINE Pay merchants, but also in PayPay merchants. This has further expanded the range of areas and stores in which LINE Pay can provide payment services. LINE Pay will continue to provide users with innovative and readily accessible fintech services amid Japan's transformation into a cashless society.

→ More details (Japanese only)

LINE Securities

LINE Securities launched its services in August 2019. Under its mission statement "Investments made easy," it provides a simple, smartphone-based investment service that combines an intuitive design with ease of operation. Currently it offers the Ichikabu (one-share) service, which allows trades of less than one unit, as well as stock exchange transactions (spot and margin transactions), investment trusts, the LINE FX currency trading service, the LINE iDeCo individual-type defined contribution pension service, the IPO stocks trading service, the LINE CFD trading service, Nippon Individual Savings Account (NISA) installments, and security token offering (STO) services. By September 2022, the number of LINE Securities accounts exceeded 1.5 million.

→ More details (Japanese only)

LINE Pocket Money

LINE Pocket Money is a personal loan service through which users can obtain small loans based on personalized terms determined through a unique credit model that combines traditional credit data with a "LINE Score" calculated according to activity data from the LINE platform. The linkage of the proprietary credit model to the LINE Score ensures that users receive fair conditions even for small loans, regardless of the amounts in their contracts. All processes, including applications, screening, borrowing, and repayments, are handled on the LINE app, while the user's identity is confirmed using the electronic Know Your Customer (eKYC) system, eliminating the need to mail documents and other procedures.

→ More details (Japanese only)

Other

LINE NFT

LINE NFT is LINE's marketplace for non-fungible tokens (NFTs) in Japan, where users can easily buy and trade NFTs using simple operations and payment methods. Users can store purchased NFTs in their LINE BITMAX Wallet, a digital asset management wallet that they can easily register via their LINE account. Then, through the LINE app—with a userbase of approximately 92 million in Japan—they can conveniently send or exchange NFTs with their LINE friends.

→ More details (Japanese only)

LINE Doctor

LINE Doctor is a one-stop service that allows patients to book medical appointments, speak with a doctor over free video call, and make payments for consultations all on the LINE app. Any LINE user can use this service without the need to download an additional app.
Subject to certain conditions, a person who feels unwell can contact a physician through LINE and obtain medical advice.
In both July and August, the number of consultations reached the highest levels on record since the launch of the service. LINE Healthcare has also established a special page where users can quickly find medical facilities offering online consultations for people convalescing at home. This page was created to alleviate the anxiety experienced by people who are unable to visit a hospital due to fever symptoms and are forced to recuperate at home.

→ More details (Japanese only)

Copyright © Z Holdings Corporation. All Rights Reserved.