Messages from the Co-CEOs

Last updated: 12/22/2022

We will shift from defense to offense and further our PMI initiatives to drive growth and success.

Kentaro Kawabe

President and Representative Director,
Co-CEO

Building a Robust Business Base to Support Sustainable Growth

Since the creation of the new Z Holdings through the business integration with LINE Corporation (“LINE”) in March 2021, I have focused all of my energies as Co-CEO toward the realization of a successful PMI process in our various business areas. I have made the reinforcement of our data governance a particular priority. The direct trigger for this emphasis was the data management issue at LINE. However, the main reason is the need for digital platform companies to maintain robust and dynamic governance structures. That need is greater than ever because of a global trend toward reinforced protection of personal data, and an increasing focus on economic security. In addition to our initiatives to strengthen data protection through technical measures, we have also introduced three lines of defense based on the “Three-Line Model” and built horizontal and vertical governance systems from the users' perspective. The entire Z Holdings Group will continue to enhance data governance as the foundation for global expansion.

In March 2022, we clarified our strategic direction as a Group by revising our materialities. I see this as an extremely important step toward the creation of a robust business infrastructure. The integration of LINE, a company with major global and social influence, has heightened both the importance of our social mission and society’s expectations toward us. Based on this perception, we reviewed our existing materiality structure from a broader perspective and created a new structure consisting of six materialities, together with initiatives to address each issue, and indicators to evaluate our progress. I think sincere efforts to address each of these issues are a prerequisite for the sustainable growth of the Z Holdings Group.

Stakeholders who want us to take a bolder approach may see these measures, such as the reinforcement of data governance and the revision of our materialities, as somewhat lacking in impact. However, I am confident that the time we have spent identifying key management priorities and enhancing data governance as the foundation for sustainable growth will be highly significant as dynamic initiatives unfold in the future.

Of course, our PMI efforts over the past 18 months also include proactive aspects, such as the steady generation of synergies through closer collaboration among Yahoo! JAPAN Mart by ASKUL, LINE GIFT, Yahoo! JAPAN, and ZOZO, and the linkage of LINE Official Accounts to stores of Yahoo! JAPAN Shopping. The PMI process has only just begun. Going forward, we will decisively shift gears from "defense" to "offense" mode and actively pursue growth strategies.

Cross-Segment Linkage of Powerful Assets

When I first became President of Yahoo Japan in 2018, the company was strong in some areas, such as the Media Business, but still fell short of fulfilling its role as a comprehensive Internet company in other respects. For example, we had no major services in the area of social media. I decided that my personal mission in that situation should be to enhance our strengths and address each deficiency in turn through a variety of M&A and business integration initiatives. Over a four-year period, these efforts further strengthened our Media Business while offsetting deficiencies in the e-commerce areas through initiatives that included the acquisition of ZOZO, Inc. I also saw the mobile payment business as an essential asset for the future and worked with SoftBank Corp. (“SoftBank”) to build the "PayPay" business into Japan’s biggest provider in this area. The business integration with LINE in 2021 added a powerful social media asset to the Group, creating an unparalleled corporate group with top-class assets in many areas, including media, e-commerce, social media, finance, and payment services, in both Japan and Asia.

Our basic policy as we shift to a more dynamic PMI approach will be to link our powerful Group assets seamlessly in order to create unique user experiences that only the Z Holdings Group can provide. We want users to acknowledge the Z Holdings Group as a source of enhanced convenience, value, and efficiency, and recognize our significance in various situations in their lives.

The first step is to optimize linkage among the various services provided by the Z Holdings Group. As I stated above, we have already achieved coordination in some areas and some synergies. However, a key factor from here on will be the linkage of user IDs for LINE, Yahoo! JAPAN, and PayPay, each of which has one of the biggest user bases in Japan. Plans are underway to progressively introduce ID linkage, starting in or after 2023. This is expected not only to enhance the user experiences provided by each of our businesses, but also to maximize Group-level synergies and revenues through collaboration among all of the Z Holdings Group’s business areas, which have one of the biggest user bases in Japan.

Allocating Resources for Growth Investment with a View to Overall Optimization

In addition to the enhancement of existing businesses and the linkage of our services, we will of course focus on more dynamic initiatives targeting expansion into new fields and areas. One of the new target areas in which we have already commenced strategic investment is fintech. In October 2022, we moved to enhance our services in this area, which plays an important role in society, by consolidating PayPay Corporation (“PayPay”). This move was based on a belief that we would be better able to deepen collaboration with PayPay and realize major synergies by positioning it as a consolidated subsidiary. Going forward, we will work with SoftBank to accelerate the expansion of our payment and financial services domain, with PayPay as the hub. Other areas that we see as offering major growth potential include marketing solutions. We will reinforce our full-funnel approach to our users from online/offline marketing reach to purchasing and repurchasing. We also aim to expand our user services in the area of online healthcare, in which regulations are being eased as a result of the COVID-19 pandemic.

Since the business integration, we have set new records for our consolidated earnings, including revenue and adjusted EBITDA. Our cash flows and investment capacity have also expanded, increasing the scope for large-scale business development. We allocate resources for strategic investment under a structure based on a Chief Product Officer (CPO) system that we introduced at the time of integration. Project priorities are determined with a view to overall optimization under the leadership of the Group Chief Product Officer (GCPO). In the current fiscal year, we have appointed CPOs supervising certain business domains responsible for promoting the growth of products in each field. This will allow us to link decision-making with business development and achieve group-wide synergies.

The dynamism of the Internet industry is manifested in the sudden emergence of new service categories that did not previously exist. When we become aware of new areas that clearly merit investment, we will dynamically change our strategic investment priorities.

Attracting Talented People through the Appeal of Our Business

Human capital is our greatest asset. We need talented engineers, especially those with AI skills, to drive our future growth, and we regard the recruitment of such people as one of our top management priorities. Competition in the labor market continues to intensify because of active recruitment by companies in the IT sector and across all industries pursuing digital transformation (DX). Many companies are trying to attract talent by enhancing salaries, bonuses, and other compensation packages. In addition to offering the best possible conditions, we also aim to provide attractive working environments.

A key advantage for us is the appeal of the work itself. The Z Holdings Group provides diverse values to a wide spectrum of users in Japan and Asia and engineers have the opportunity to grow by taking on various technological challenges in such an environment. There are also opportunities to see the technologies you have developed making a major impact on the society. By bringing this information to the fore, we hope that talented engineers with advanced technical skills will step forward to explore their potential in the Z Holdings Group.

We are also enhancing our appeal to potential employees by offering flexible workstyles. Yahoo Japan has already introduced a full remote working system and is developing environments to accommodate a wide range of workstyles. I believe that these system innovations have played a significant role in the rise in the number applications to Yahoo Japan's mid-career recruitment, which in the past year was around 60% higher than in the previous year. The Z Holdings Group promotes health and productivity management so that the recruited employees will maintain optimal physical and mental health.

We also expect the development of remote working environments to contribute to the globalization of our workforce. We plan to step up our recruitment activities around the world, to include not only Japan but also South Korea and other parts of Asia, as well as Silicon Valley. Within Japan, I hope that talented people living in various regions will also be able to participate in our business operations, in addition to people living in and around major cities.

Our Social Mission to Empower Users

My impression of people working in the Internet industry is that most are motivated by a desire to contribute to society. My own decision to work in this sector was also inspired by that aspiration. One reason for that is the potential of Internet technology to transform society rapidly on a global scale.

I reaffirmed the social significance of the Internet industry around 2005, when I concurrently served as Yahoo Japan's mobile services producer and social engagement activities producer. I reacknowledged the Internet's mission as a social infrastructure through various new initiatives, such as the dissemination of information about typhoons, earthquakes, and other emergencies on all Yahoo! JAPAN pages, the use of the Internet to raise funds for victims of the tsunami disaster in Indonesia, and the initiation of a carbon footprint offsetting service through which individuals could purchase carbon credits. These efforts also convinced me that companies could improve their corporate value by addressing social issues. As a result, I felt a real sense of motivation toward my work because of its potential to contribute to society while helping to improve the value of the company.

After becoming President of Yahoo Japan, I continued to place importance on addressing various social issues, such as those encapsulated in the Sustainable Development Goals (SDGs). Today all companies are working together toward the creation of a sustainable society, and in that context I am determined to strengthen Z Holdings Group's commitment to sustainable activities.

The Internet is a technology that can empower individual users. I myself have been empowered by the Internet. Just as the healthcare sector has a fundamental mission to save lives and improve health, the fundamental mission of the Internet industry should be to empower users and that is my management philosophy. The same commitment is contained in our corporate mission : "unleashing the infinite potential of all people, with the power of information technology."

We will continue utilizing our diverse user contact points to also involve users in our expanding efforts to drive positive transformations in society. Our aim is to empower and maximize the potential of every individual user.

Evolving into a Dominant AI Tech Company

I believe that our value as an Internet company is mostly determined by the number of users who can enjoy the unique and excellent experiences that we provide. Our goal for the next 10 years is to build an overwhelming presence in Japan for our corporate group in terms of not only business scale and market share, but also social recognition, by integrating top-level services in each domain in Japan, and by providing users with a wide range of experiences that only the Z Holdings Group can offer. At the same time, we aim to evolve into an AI tech company in which AI powers most of the systems that underpin our sophisticated services. This does not mean that we will no longer need human beings. In fact the reverse is true. We will make optimal use of AI for all of our services and automate as many processes as possible, in order to create an environment in which people can concentrate on advanced, creative work in high-end areas. I believe that if we can achieve these two goals, we will be able to evolve into a mega platform operator capable of competing with Internet giants in the US and China such as the GAFAMs and BATs, by rolling out these success formulae in Asian markets, where LINE has a strong presence.

Since the establishment of the new Z Holdings Group, I have often felt a real sense of our potential to achieve even greater things and become an even greater Group by integrating our own assets. I always tell people in the company that the Z Holdings Group is a mountain of treasure. It will still take some time to look through the treasures hidden in this mountain and polish them until they are ready to be offered to users. However, I am convinced that we can achieve this, and that we can continue to improve our corporate value.

I hope that our stakeholders will also continue to look forward to the activities of the Z Holdings Group with such a medium- to long-term view.

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Messages from the Co-CEOs

Last updated: 12/22/2022

We will continue to take up new challenges based on our belief in the enormous potential of the Z Holdings Group.

Takeshi Idezawa
Representative Director, Co-CEO,
Marketing & Sales CPO

Steady Progress on PMI at the Governance and Organizational Administration Levels

One-and-a-half years have passed since the business integration between LINE Corporation (“LINE”) and Z Holdings Corporation. The post-merger integration (PMI) process is progressing well, and we are strengthening aspects of governance that will form the foundation for our future growth. These include company-wide data governance, which was our first major priority. I see this work as an essential requirement for the future success of the Z Holdings Group in the global market. We have also made progress with organizational development. We have rationalized our operations and improved efficiency through the integration or restructuring of duplicated functions and services, resulting in cost synergies of around JPY10 billion in just the first fiscal year after integration.

Another focus has been the development of our management structures. Since product strategies are the key to business growth, we have developed a resource allocation structure targeted toward group-wide optimization instead of optimization for individual group companies. This was achieved through the collaboration between Group Chief Product Officer (GCPO), Jungho Shin and CPOs supervising specific domains, who are responsible for the development of products in their respective areas. This structure ensures timely investment of management resources by allowing us to set priorities and decide what products and technologies are needed most at a given time, by looking at our service and technology infrastructure across the entire Group.

We have created a technology development structure based on our Co-Group Chief Technology Officer (Co-GCTO) framework. Our two Co-GCTOs, Chiaki Fujimon from Z Holdings and Euivin Park from LINE, led the integration of our Group-wide development operations. Our technical staff interact frequently through working groups, collaboration meetings, case study sharing sessions and other activities. This in-depth sharing of technical knowledge is an important phase of our evolution towards an AI tech company.

Wide-Ranging Business Synergies

The integration is also yielding service-related synergy benefits in various areas. A notable example of this is Yahoo! JAPAN Mart by ASKUL, a new quick commerce service created by Yahoo! JAPAN, ASKUL, and Demae-can. With this revolutionary service, which became popular during the COVID-19 pandemic, meals and groceries are delivered in as little as 15 minutes after ordering and payment. In August 2022, we also began operating drop-in stores. We were able to create value through this initiative by bringing together the diverse strengths that exist within the Z Holdings Group.

We have also realized various synergy benefits through our existing businesses. For example, LINE GIFT’s transaction value has expanded dramatically over the past year thanks to its collaboration with Yahoo! JAPAN. This growth was the result of cooperation on various levels, including marketing support provided by the Yahoo Japan Corporation's President, Takao Ozawa and his commerce team, as well as the sharing of expertise about inventory management and e-commerce site operation, aimed at expanding the range of products handled. Synergies between LINE and Yahoo Japan also include the LINE Linkage service introduced by Yahoo! JAPAN Shopping. This service, which allows merchants to chat directly with individual customers through LINE Official Accounts, has been extremely popular and has contributed to bringing substantial growth in transaction value.

The Limitless Potential of Z Holdings

We are making excellent progress with PMI on various levels and achieving significant results. However, I believe that we have only just started to scratch the surface of our potential. From the standpoint of LINE, which I am the CEO of, the business integration with Z Holdings has not only multiplied the size of our business but also expanded the scope of what we can achieve. I anticipated this outcome when we first began to consider the integration, but since our two companies joined, I have become even more aware of the limitless potential of the new Z Holdings Group.

For example, before the integration, LINE was extremely strong in the field of social media but had no major assets in the area of commerce. In contrast, Z Holdings has some extremely powerful commerce-related assets, including Yahoo! JAPAN Shopping, ZOZO, Ikyu, and ASKUL. Their presence has dramatically enhanced LINE's opportunities in the commerce field.

The PMI process has only just begun, and there is still much that we can and should do. From an organizational development point of view, we need not only to improve our systems, but also to deepen reciprocal understanding among our frontline operations in each segment, and to combine the cultures of LINE and Yahoo Japan to create a corporate culture for the new Z Holdings Group. From a business development view point, too, there are many challenges to take up and new fields to develop, such as the creation of an integrated loyalty program based on ID linkage across LINE, Yahoo Japan, and PayPay.

For example, we have brought together marketing members from LINE and Yahoo Japan to form project teams with the task of exploring future opportunities in the area of sales promotion. These teams have already started to develop products and pursue marketing initiatives. Another challenge will be to develop new opportunities and expand our earnings in the financial services market by combining the capabilities developed by Z Holdings and LINE in the fintech area, which we have positioned as a Strategic Business.

LINE, the Key to the Growth of the Z Holdings Group

I am confident that LINE will play an increasingly important role in the future growth of the Z Holdings Group. A key feature of LINE is that it is extremely effective as a tool for linking not only people and people, but also people and businesses and people and content. LINE currently has approximately 92 million monthly active users[*1] just in Japan. It is also Japan's biggest marketing automation tool, thanks to LINE Official Accounts and other features. As I stated earlier, Yahoo! JAPAN Shopping merchants have substantially increased their transaction value by using LINE Official Accounts. The Z Holdings Group has many other services that can be used to deepen communications with users, such as ZOZO and Ikyu.

LINE is also likely to be the Group's user contact point and gateway for the proposal of new services and content created by the Z Holdings Group. In this sense, LINE will be a vital hub for the expansion of the Group's business, and we are therefore determined to drive further growth in LINE's own business operations through service collaboration across a wide range of areas.

Another important role LINE has to play is the vanguard for the overseas expansion of the Z Holdings Group. Currently we earn most of our revenues within Japan. However, given the characteristics of the Internet sector and our growth scenario for the Z Holdings Group, expansion into overseas markets seems inevitable in the near future. The business base that LINE has built in overseas markets, especially in Asia, will be an important asset at that time.

LINE has used its messaging services as a foundation for steady expansion into other business areas, such as commerce, food delivery, and fintech, in Asian markets, including South Korea, Taiwan, Thailand, and Indonesia. In Taiwan, for example, LINE Pay is the clear leader in the payment service market, and LINE's banking service has also made an excellent start following its launch in 2021. Moving forward, we aim to use LINE's customer base and brand power in Asian markets, together with the success formulae that we have established in the Japanese market, to achieve global expansion across the entire Z Holdings Group.

*1 Own survey; LINE app monthly active users in Japan; as of March 31, 2022.

Bringing “WOW!” Experiences to an Expanding User Base

My most important focus as the manager of an Internet-based company can be expressed in just one word: “WOW”. The word “WOW” symbolizes users’ excitement in response to new experiences and the urge to tell friends about these amazing experiences. LINE had consistently identified the “WOW” experience as a key value long before the business integration. We acknowledged the importance of this concept by making “providing new (WOW!) experiences using data/AI” the first of the revised materialities adopted for the Z Holdings Group in March 2022.

I believe that our value as an Internet company is defined by our ability to make as many users as possible say “WOW!” by providing new and amazing experiences. In that sense, this concept can also be called our “user first value.” Until now, the Z Holdings Group has used its diverse assets to provide highly convenient services to large numbers of people in a wide range of fields. To achieve sustainable improvement in our corporate value going forward, we must continue to offer new “WOW!” experiences and new levels of excitement and emotion to more and more users.

Our Continued Commitment to New Challenges

Another element of our corporate philosophy that I have taken to heart is our continuing commitment to new challenges.

When I first started working in this industry, the Internet was still regarded by society in general as a peripheral business area. I continually took up new challenges with my colleagues, and through a trial-and-error approach, we gradually increased the scope and depth of our services and expanded our business and the company. Like LINE, every company in the Z Holdings Group shares such history of taking up new challenges. I see the spirit of challenge as part of the DNA of the entire Group.

However, both companies and people tend to become more conservative as they grow, and before we know it, we find that we are no longer able to take up new challenges. The Internet industry has come to form society's mainstream, and the Z Holdings Group has emerged as one of Japan's biggest Internet group with overwhelming market shares and a vast user base. Most of our services, including LINE, Yahoo! JAPAN and PayPay, have become integral parts of the lives of tens of millions of users. As a result, we now have extremely significant social responsibilities as a company.

Yet regardless of the scale of our activities or our increased responsibilities, we must never lose the spirit of continuing to challenge the new and unchartered. The Z Holdings Group has achieved growth by using data and IT to address various "pain points" (unmet user needs) in society. However, many pain points are yet to be addressed. We need to respond to these unmet needs by using our diverse and powerful assets and maximizing our synergies. I think of this as an absolute imperative in terms of our ability to fulfill our social responsibilities while also achieving growth.

I am determined to foster a corporate culture in which people are never satisfied with the status quo and are always looking to the future, without fear of change, and with a continued commitment to taking up new challenges. I believe that the Z Holdings Group has a very bright future.

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