PMI Progress and Group Synergies

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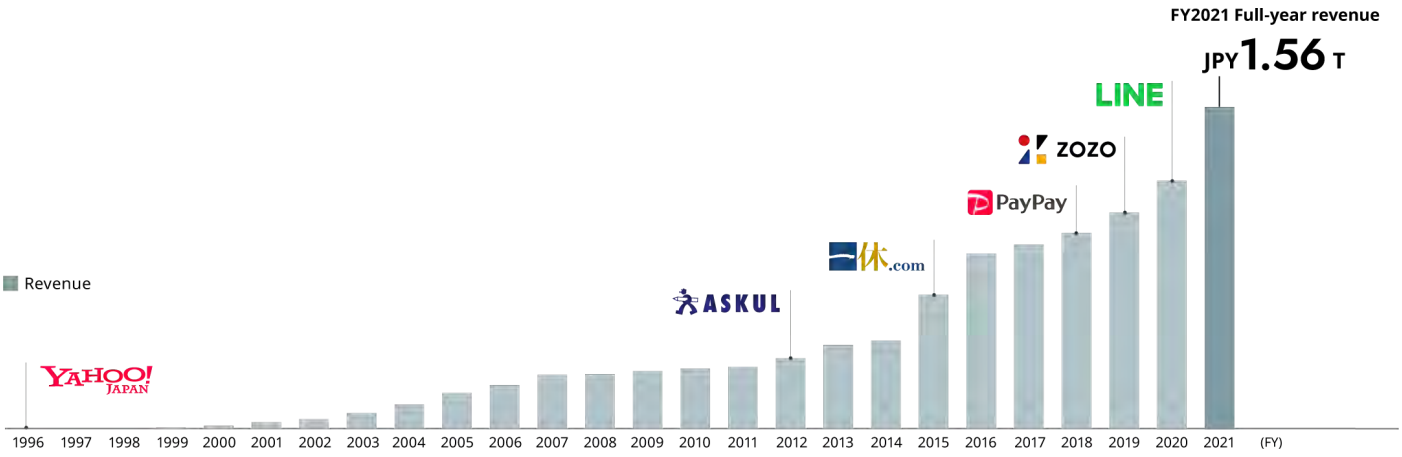
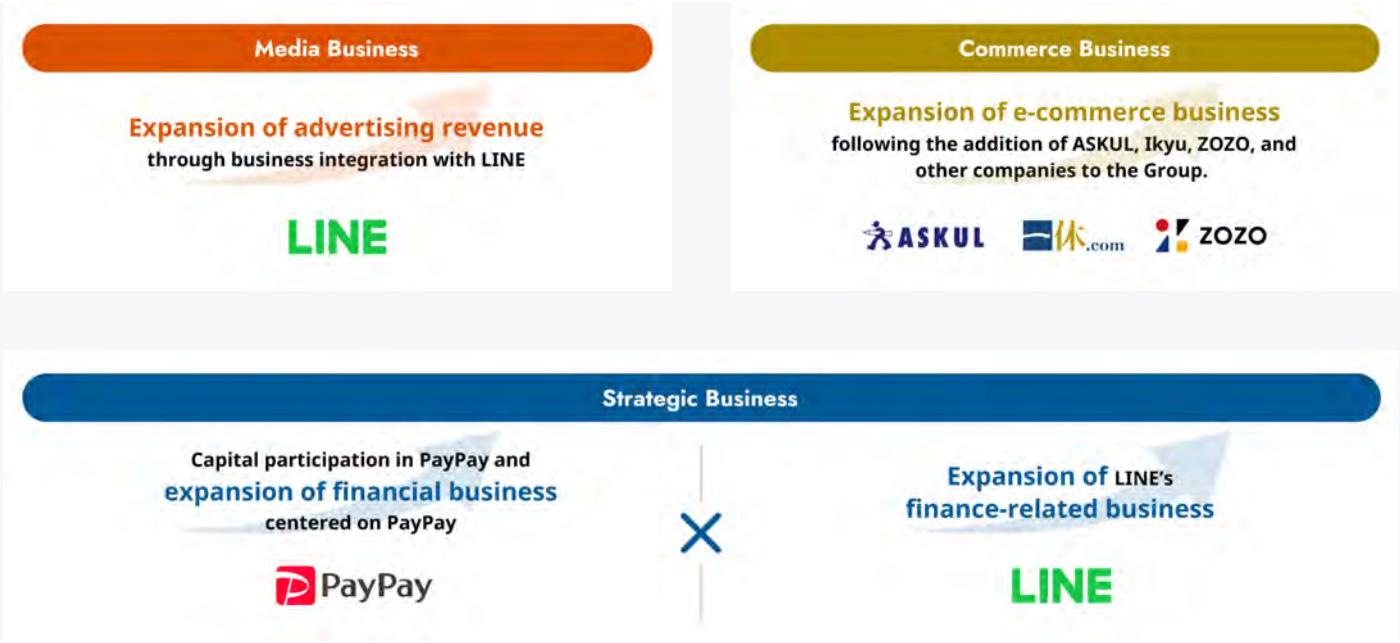
M&A and PMI to Build the Future

Since launching its services as Yahoo! JAPAN in 1996, our Group has repeatedly transformed itself based on accurate assessments of the environment in which it operates. We have achieved sustained growth by enhancing our core services to provide value to more and more users, while driving non-continuous growth through M&As under our medium- to long-term strategy, and building a long track record of successful PMI processes.

By applying the diverse knowledge and experiences gained through these PMI successes to PMI processes for new Group companies including LINE, we will maximize synergies and open up new futures.



→ Group History



Progress of PMI Following the Business Integration with LINE

On March 1, 2021, the new Z Holdings Group was created through a business integration between Z Holdings Corporation and LINE Corporation.

To maximize the synergy benefits resulting from this integration and further enhance our corporate value, we must generate successes through the PMI process and link those successes to the creation of business synergies.

For this, reciprocal respect and communication based on an understanding of differences in corporate cultures and visions are crucial, and the great importance placed on building trust characterizes the Z Holdings Group's approach to PMI. We aim to maximize synergies by building an organizational culture through various forms of exchange between Group companies.

PMI of Corporate Culture and People-to-People Exchange

Hosting Events to Promote the Sharing of Synergy Case Studies and Knowledge within the Group

We regularly host information-sharing events for Z Holdings Group managers and employees, which bring together managers and employees of Group companies to share case studies about synergies achieved by becoming a part of the Z Holdings Group, as well as their knowledge, to accelerate the generation of synergies.
Under the recognition that change and innovation are driven not only by the management team but also by individual employees, we are focusing on building a Group-wide organizational culture that will form a foundation upon which our mission to “UPDATE THE WORLD” can be realized.

Our Corporate University — Z Academia

Z Academia was founded in April 2020 to foster cross-organizational networking among Z Holdings Group employees and accelerate Group-level synergies, by extending course offers of Yahoo! JAPAN Academia, Yahoo Japan's in-house university, to all Z Holdings Group employees.

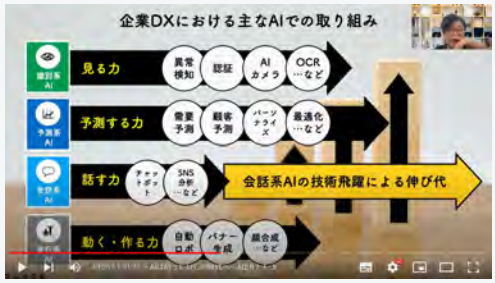
In FY2021, 201 courses[*1] were held for all the employees of the Z Holdings Group, participated by a total of approximately 26,000 employees. This was followed by the launch of "Z Sustainability Academia" in FY2022, aimed at realizing sustainability transformation (SX), and synergies are being generated through the exchange of extensive human capital within the Group.

*1 155 courses in the form of seminars; 46 archived courses

Z AI Academia

In addition to the recruitment of new employees from outside of the Group, Z Holdings also aims to strengthen its human resources from within by providing networking and development opportunities through "Z AI Academia." The mission of Z AI Academia is to drive our evolution into a world-leading AI tech company from Japan and Asia, while addressing the social issue of shortage of AI personnel by raising the level of AI knowledge and capabilities throughout the Group.

In the first lecture of the second term of "Z Humanities AI School," a six-month program in practical AI development, participants included 34 learners from outside the Group for the first time. We will continue to diversify learning outcomes by promoting such sharing of views and knowledge within and beyond the Group.



First Term

The first Z Humanities AI School program was attended by 674 employees from 26 Z Holdings Group companies, resulting in approximately 400 AI project ideas.

Second Term

The second term which commenced from August 2022 welcomed 34 participants from non-Group companies for the first time.

→ Z Holdings Establishes Z AI Academia to Develop AI Professionals with Dual Focus on Arts and Sciences

→ AI-Related Courses Thrive in In-House University "Z Academia" — What Were the Take-Aways from Z Humanities AI School?

→ 34 Participants from Three Companies Outside ZHD Group Join Z Holdings' Humanities AI Talent Development Program

Z Sustainability Academia

Based on the recognition that improving the ability to achieve a "Sustainability Transformation" or "SX," which balances social and corporate sustainability is essential for the Group to grow in the medium- to long-term, Z Holdings launched Z Sustainability Academia. It is designed to be a forum for each Group employee to gain relevant knowledge on sustainability, which they can then put into practice in their own work.

Around 12 programs consisting of lectures and workshops are held each year providing opportunities for employees to acquire structured knowledge about sustainability and develop the motivation to incorporate sustainability initiatives into their business. These programs also function as forums for networking among employees from approximately 170 Group companies. By bringing knowledge together through such interactions, the programs help to accelerate business growth and synergy creation.

The Z Holdings Group aims to promote sustainable growth across the Group through Z Sustainability Academia.

→ "Z Sustainability Academia" Launched to Promote Understanding on Sustainability from a Business Perspective

Hack Day

Hack Day is an event in which participants freely explore ideas and develop and present a prototype within a single 24-hour period. We hold two Hack Days each year — one for Group employees and one for non-Group participants, with the aim of stimulating the creativity of engineers and designers.

Many employees from the Z Holdings Group companies participate in the internal Hack Day as an opportunity to realize ideas that they have been considering and to gain new skills.

The theme for Digital Hack Day 2021, the FY2021 Hack Day for external participants, was “the digitalization of Japan.” A total of 289 people in 70 teams participated in the online preliminary round and presented their work after 24 hours of development. The judges then awarded 12 preliminary special prizes and selected 10 teams with 43 members to advance to the final.

In FY2022, the first joint tech conference between LINE and Yahoo! JAPAN is also planned.
The Z Holdings Group will continue to support talented engineers and designers by hosting Hack Days, while also contributing to the digitalization of Japan by spreading the excitement of creativity.

→ Hack Day (Japanese only)

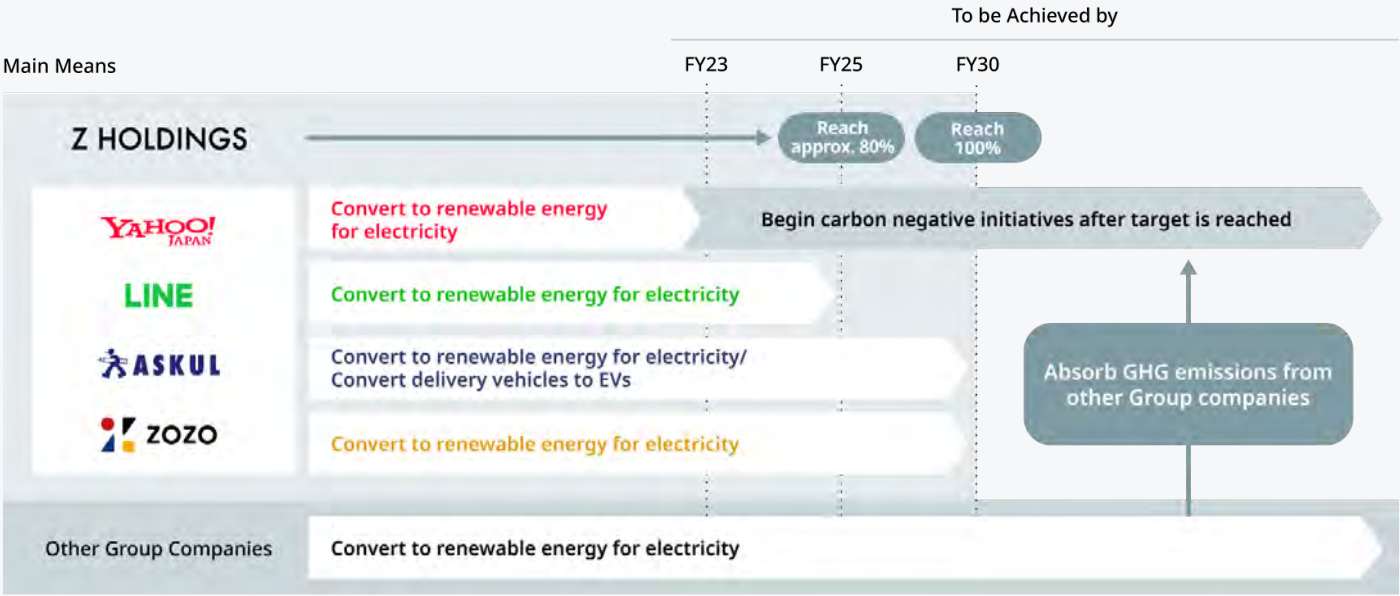
Corporate Structures Reinforced to Achieve Carbon Neutrality

In February 2022, we made the 2030 Carbon Neutrality Declaration, which declares our commitment to reduce greenhouse gas emissions throughout the Z Holdings Group to net zero by FY2030. In addition to climate change initiatives previously announced by Yahoo! JAPAN and ASKUL, we decided to target carbon neutrality across the entire Z Holdings Group by FY2030, including LINE and ZOZO, which joined the Group in March 2021.

In order to fulfill our social responsibilities and contribute to sustainable social and environmental development, the Z Holdings Group, together with the CSR, corporate administration, and business divisions of Group companies, has identified environmental measures and related focus areas as key issues in its Materiality[*1]. We have established the ESG Management Committee under the leadership of the Group CFO to promote initiatives to address these key issues (Materiality).

The Z Holdings Group has also established the Risk Management Committee, and risks related to the Group's business activities are recognized, identified, and addressed under the leaderships of the Co-CEOs. In the environmental area, the Group conducts risk assessments of its environmental impacts, based on risks such as large-scale natural disasters associated with climate change and the spread of infectious diseases. The Group promotes its ESG initiatives in cooperation with the Risk Management Committee, which analyzes management risks.

*1 Addressing Materiality Issues



→ Z Holdings Corporation Announces "2030 Carbon Neutrality Declaration"
- Plans to Reduce GHG Emissions to Net-Zero by FY2030
- Yahoo! JAPAN to Take the Lead to Become Carbon Negative, Aiming to Achieve Carbon Neutrality in the Entire ZHD Group

02

PMI in Businesses and Services

Centered on our three action points of "Information & People (Yahoo! JAPAN)," "People & People (LINE)," and "People & Payments (PayPay)," created through the business integration and all of which are essential to daily life, we are also steadily generating synergies among our diverse Group companies, including ZOZO, Demae-can, and ASKUL.

We will continue to maximize Group synergies and expand our earnings by drawing on the unique potential of our diverse assets, including the business areas of the Z Holdings Group, with one of the biggest user bases in Japan, the AI technology of NAVER, which is a shareholder of our parent company, A Holdings Corporation, and the telecommunications resources of SoftBank.

Promoting Cross-use and Expanding the Group Ecosystem

By linking our three most powerful assets and action points which are LINE, Yahoo! JAPAN, and PayPay, we aim to achieve rapid growth in our Media, Commerce, and Strategic Business segments by expanding our profitability. In doing so, the user bases which are among the biggest in Japan, are positioned as the foundation for growth.

Results for FY2021

One of our initiatives to strengthen the Z Holdings Group ecosystem was the conversion of Yahoo! JAPAN service points into PayPay Points as a step toward the integration of our loyalty programs. In the Media Business, we are steadily creating synergies that do not require advanced data links, such as the mutual distribution of advertisements between LINE and Yahoo! JAPAN, and the reinforcement of marketing collaboration.

Mutual Ad Distribution

From October 2021, Yahoo! JAPAN Ads Display Advertising (Programmatic-based) began distributing advertisements on the LINE NEWS Sections. Through this initiative, advertisers using Yahoo! JAPAN Ads Display Advertising (Programmatic-based) are able to distribute advertisements on the LINE NEWS Sections of LINE Ads, enabling products, services, and campaigns to be promoted on a platform which boasts more than 77 million monthly active users[*1]. Distribution from LINE Ads to some ad slots in Yahoo! JAPAN is also planned in the future, and we are strengthening this collaboration with the aim of eventually introducing fully mutual ad distributions.

→ Yahoo! JAPAN Ads Begins Distribution to LINE NEWS Sections of LINE Ads

Expansion of LINE Account Ads

From July 2021, we began to accept applications for opening LINE Official Accounts from all stores of Yahoo! JAPAN Shopping. Cross-selling between Yahoo! JAPAN Shopping and PayPay Mall merchants[*2] has increased steadily, and the number of merchants with accounts has risen to 30,975[*3]. This has made a major contribution to growth in the total number of LINE Official Accounts, resulting in a substantial increase in Account Ads, which grew by 17.5% year on year in the fiscal year ended March 2021.

*1 Monthly active users of the News Tab and other news pages in the LINE messaging app, as well as users of the dedicated LINE NEWS app and the LINE NEWS web page, as of August 2021.
*2 Yahoo! JAPAN Shopping and PayPay Mall integrated their sales platforms in October 2022.
*3 As of June 30, 2022

Expansion of Commerce Business Leveraging the Strengths of Z Holdings

We aim to differentiate our services from those of our competitors and expand the number of new buyers through the provision of new purchasing experiences using LINE's social graphs and our Group assets.

Results for FY2021

The earliest integration synergies are emerging in the area of commerce. Services such as Yahoo! JAPAN Mart by ASKUL, LINE GIFT, LINE Official Accounts, and PayPay Gourmet, moved quickly to build collaborations within the Group and the outcomes have already started to emerge.

LINE GIFT

LINE GIFT is a communication service that allows users to exchange gifts to their friends through LINE chat. Users can now choose from an extensive lineup of gifts, as a result of the collaborations across the Z Holdings Group, including the product and inventory linkages with Yahoo! JAPAN Shopping and PayPay Mall which began in October 2021, and the e-gift linkages with Demae-can, ZOZOTOWN, and Ikyu.com.

→ LINE GIFT Discloses Latest User Attributes and Usage: Cumulative Buyers Exceeds 10 Million! Approx. 20 Million Cumulative Users With Approx. 380 Shops and Approx. 40,000 Products Handled! (Japanese only)

Yahoo! JAPAN Mart by ASKUL

Yahoo! JAPAN Mart by ASKUL enables users to select items from ASKUL's wide variety of products centered around groceries and daily necessities (approximately 1,500 types), place an order, make payment, and receive the products in as little as 15 minutes, all via Demae-can's service. By combining the capabilities of Group companies, including product procurement by ASKUL, the ordering and delivery systems of Demae-can, and customer attraction of Yahoo! JAPAN and LINE, we provide a new purchasing experience in which users can get what they need, when they need.

→ Z Holdings Group to Deploy Quick Commerce of Groceries and Daily Necessities in Full Scale

Use of LINE Official Accounts

As mentioned in our efforts to encourage cross-use and expand the Group ecosystem, LINE Official Accounts are also continuing to expand collaboration with Yahoo! JAPAN Shopping and PayPay Mall[*1]. Merchants with LINE Official Accounts now account for over 70% of total transaction value[*2]. In the past, on Yahoo! JAPAN Shopping, communications such as users' inquiries to stores about products, or notices from stores/services informing good deals to consenting users, were based on email. Linkage with LINE Official Accounts enabled users to obtain relevant information in real-time using LINE, a familiar communication tool.

→ Yahoo! JAPAN Shopping Begins Accepting Applications from All Stores for Opening LINE Official Accounts (Japanese only)

*1 Integrated with Yahoo! JAPAN Shopping as of October 12, 2022
*2 As of June 30, 2022

Expansion of Payment and Financial Businesses Originating from PayPay

PayPay, the smartphone payment service has been furthering efforts to expand the cumulative number of registered users and the number of registered merchants. As a result of these efforts, the cumulative number of registered users has now reached 51 million[*1]. We will continue our efforts to expand the PayPay user base while stepping up our initiatives to monetize the service.

Results for FY2021

Utilizing the user base of PayPay, which is the most popular QR code-based payment service in Japan, we have started to develop a variety of collaborations and new services in the fintech field.

PayPay-LINE Pay Collaboration

On March 16, 2021, PayPay began to convert LINE POINTs provided by LINE into PayPay Points. In the past LINE POINTs could be exchanged for LINE Stickers or used to make payments through LINE Pay. Through conversion into PayPay Points, users can now access a much wider range of uses for their points, including payments for PayPay-affiliated services and purchases from affiliated merchants.

From August 17, 2021, amongst the 3.87 million[*2] PayPay merchants across Japan, users can make payments using LINE Pay as well as PayPay at stores that have adopted the user scan method (Merchant Presented Mode or MPM). This has substantially increased the number of locations where LINE Pay can be used, further enhancing user convenience.

→ Exchanging LINE POINTs with PayPay Bonus (Japanese only)

* From April 1, 2022, PayPay Bonus has been renamed to PayPay Points

→ "LINE Pay" Available at PayPay Merchants Starting August 17 (Japanese only)

Launch of PayPay Card and PayPay Atobarai Service

We have integrated company names and service names under the PayPay brand, and YJ Card Corporation has become PayPay Card Corporation. The aim of these changes is to strengthen collaboration with PayPay and achieve further growth in the financial business while also enhancing name clarity and fostering user familiarity with our services.

In December 2021, we launched PayPay Card. This credit card enables users to accumulate PayPay Points that can be spent through PayPay. In February 2022, we also launched the PayPay Atobarai service, which allows users to make lump-sum payments for purchases in the following month. With this additional payment option, users can now make PayPay payments without having to top up their PayPay balances first.

→ PayPay Card, Credit Card That Earns PayPay Bonus, Will Open to Membership Applications

→ Launch of PayPay Atobarai, a Convenient and Self-Contained Payment Method in the “PayPay” App (Japanese only)

PayPay Insurance

In December 2021 we launched an initiative which enables users to easily obtain insurance cover via the PayPay app.

Until now we have offered services such as Repair Warranty for Yahoo! JAPAN Shopping, PayPay Mall[*3] and YAHUOKU!, and travel cancellation insurance and flight delay insurance for Yahoo! JAPAN Travel users. These further enhance convenience for users by suggesting optimal insurance products aligned with their actions through our services.

In our new initiative, the users can purchase insurances from the mini-app provided in the PayPay app without installing a dedicated app. This means that insurance cover is available at any time through PayPay, whether at home or outside. We offer insurance products for a variety of lifestyle needs, such as leisure and driving. Insurance products can be purchased at affordable prices for periods as short as half-a-day while payments can be made from the PayPay Balance[*4], and insurance premium payments are eligible for PayPay Points.

Through this initiative, not only Yahoo! JAPAN service users but also the over 51 million[*1] registered PayPay users can now obtain insurance cover under PayPay Insurance, via the PayPay app. We will continue to offer a wide range of insurance products designed to meet users’ needs.

→ "PayPay Insurance" Launched as "PayPay" Mini App

*1 As of August 2022. PayPay became a consolidated subsidiary in October 2022.
*2 As of September 30, 2022
*3 Yahoo! JAPAN Shopping and PayPay Mall integrated their sales platforms in October 2022.
*4 There are four types of PayPay Balances in PayPay: PayPay Money, PayPay Money Lite, PayPay Points, and PayPay Points Lite. PayPay Money can be used to make payments for affiliated services or in affiliated stores within the amount deposited to a PayPay account, opened after completing the personal identification procedures specified by PayPay. It can also be used for commission-free payments among PayPay users.

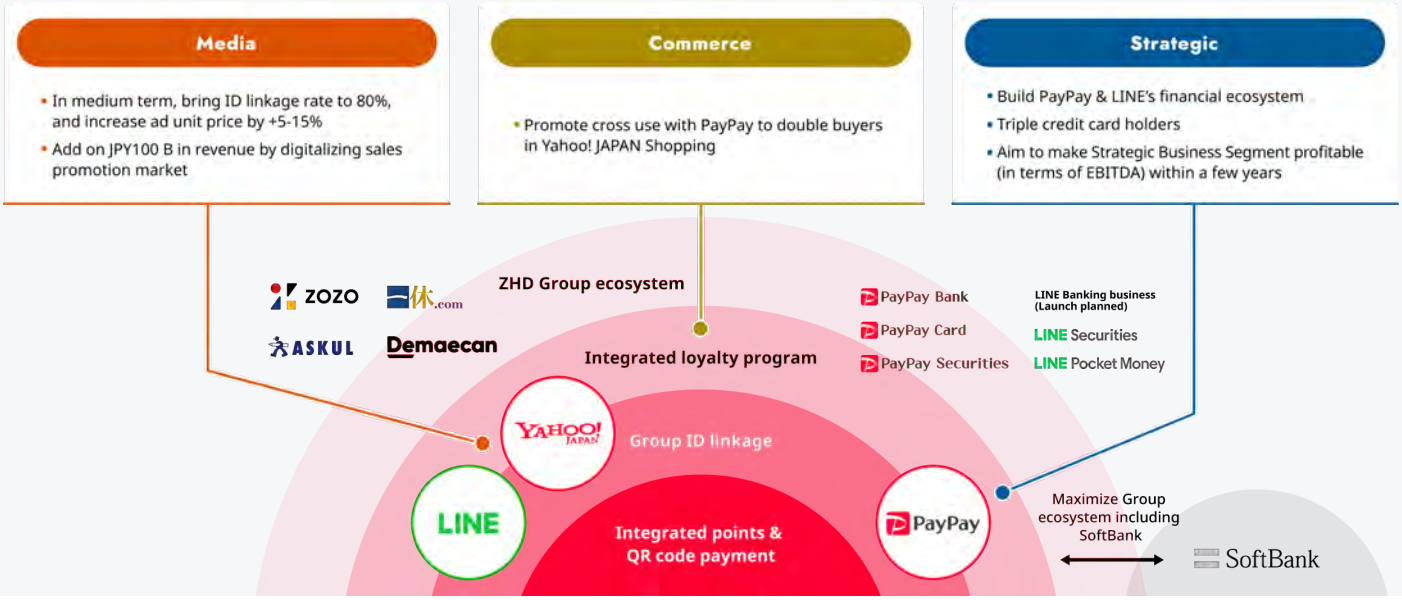
03

Future PMI Initiatives

We are continuing our initiatives to accelerate medium- to long-term growth in FY2022. In October PayPay Corporation became a consolidated subsidiary. By reinforcing links between PayPay's massive user base and the various business areas of the Z Holdings Group, we will further expand the ecosystem of the Group.

We will also host knowledge-sharing events for companies within the Z Holdings Group to provide opportunities for knowledge exchange between the companies, and generate synergies through human capital, to drive the creation of the future.
We will continue to work steadily toward the integration of our corporate culture and the realization of business synergies.

→ One Year Anniversary of the New Z Holdings – Group Synergies Generated from the Integration



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