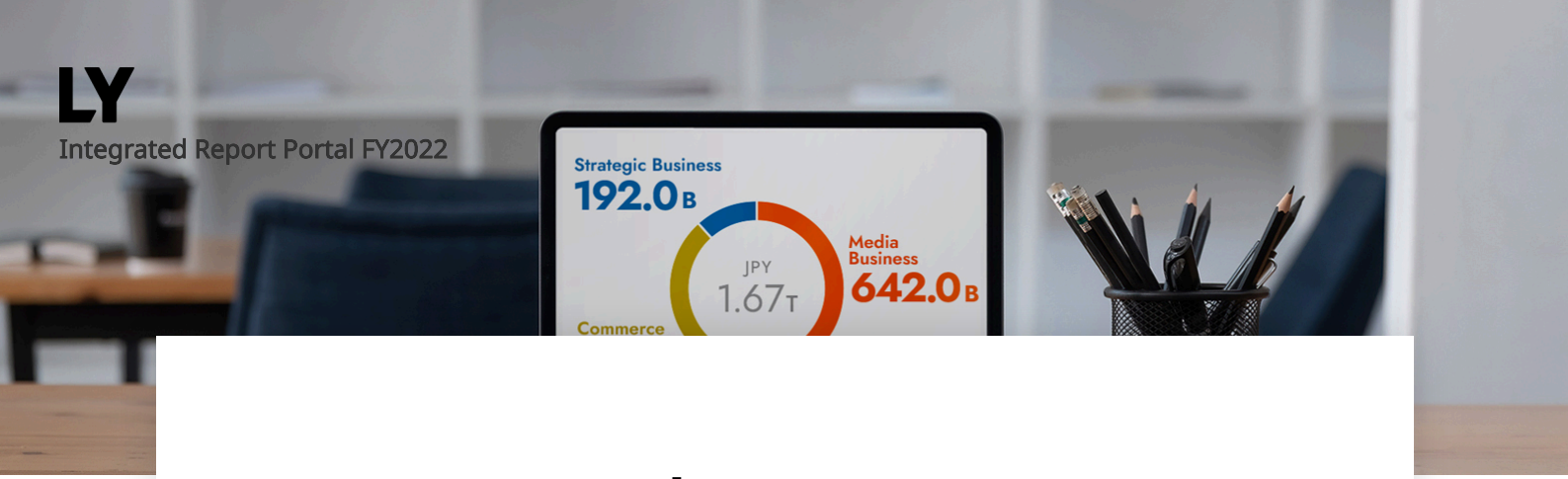



# Media Business

Last updated: 10/17/2023

## We will expand ad revenue through 1:1 marketing leveraging Group assets.

LINE Ads

YAHOO! JAPAN Ads

LINE Official Account

YAHOO! JAPAN
(Japanese only)

LINE NEWS
(Japanese only)

YAHOO! JAPAN ニュース
(Japanese only)

FY2022
Total Advertising Revenue

JPY 591.4 B

LINE
Monthly Active Users*1

Approx. 95 mil

Yahoo! JAPAN
Monthly Active Users*2

Approx. 85 mil

*1 LINE app monthly active users in Japan; as of March 31, 2023.

*2 Nielsen TOPS OF 2022: DIGITAL IN JAPAN (Top 10 Internet services used by users in Japan). Average monthly number of users between January – October 2022. Does not include duplicate users of smartphones and PCs.

## Our View of the Business Environment

Despite various domestic and international impacts, including the resurgence of the COVID-19 infection, the situation in Ukraine, and soaring commodity prices, total advertising expenditures in Japan was JPY7.1021 trillion*1 for the full year of 2022, increasing 4.4% from the previous year. Out of this, Internet advertising expenditures increased 14.3% year on year to JPY 3.0912 trillion*1, maintaining a continuously high growth rate amid the ongoing digital transformation of Japanese society. This was an increase of around JPY1 trillion over just three years since the amount surpassed the JPY2 trillion benchmark in 2019. As a result, Internet advertising expenditures expanded to 43.5% of total advertising expenditures in Japan.

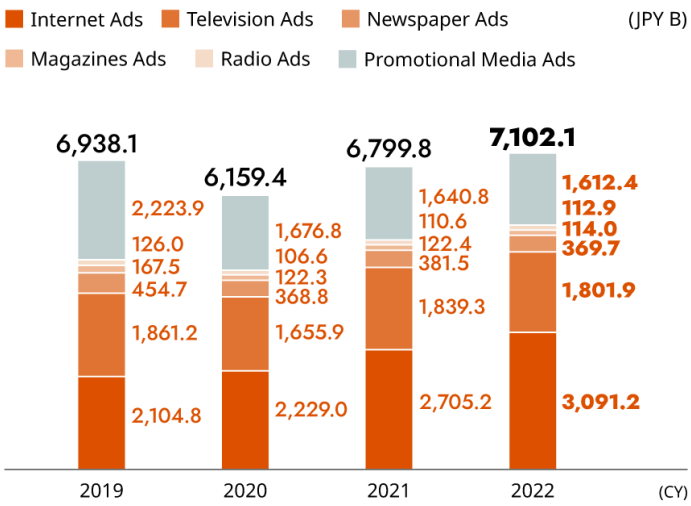
Although impacted by various factors inside and outside of Japan, which are mentioned above, Internet advertising media expenditures, which constitute approximately 80% of Internet advertising expenditures, grew 15.0% year on year to JPY2.4801 trillion. This was due to the increase in the demand of video advertising (mainly instream advertising) and widespread use of digital technology in sales promotional activities among companies. By ad category, paid search advertising grew 22.2% year on year to JPY976.6 billion*2 and display advertising was up 7.5% year on year to JPY737.2 billion*2, both expanding and accounting for about 70% of Internet advertising media expenditures. Video advertising continued double-digit growth from the year before, growing 15.4% year on year to JPY592.0 billion*2, due to the increase in video-service users and time spent.

The social climate surrounding Internet advertising is changing dramatically. While regulations for personal information protection are being tightened mainly in Europe and the U.S., the revised Act on the Protection of Personal Information was also enforced in Japan in April 2022. Platforms that operate Internet advertising are required to protect user privacy, thoroughly manage information, and continuously improve advertising quality.

*1 2022 Advertising Expenditures in Japan, DENTSU Inc.

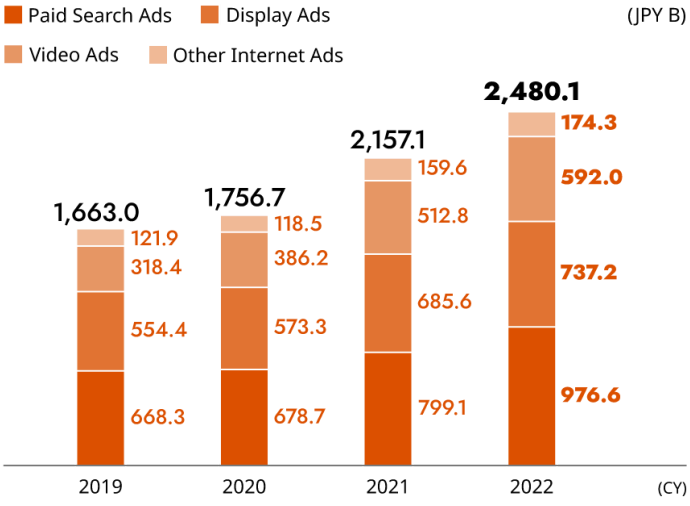
*2 Advertising Expenditures in Japan 2022— Detailed Analysis of Expenditures on Internet Advertising Media, DENTSU Inc.

## Advertising Expenditures in Japan




Source: 2022 Advertising Expenditures in Japan, DENTSU Inc.

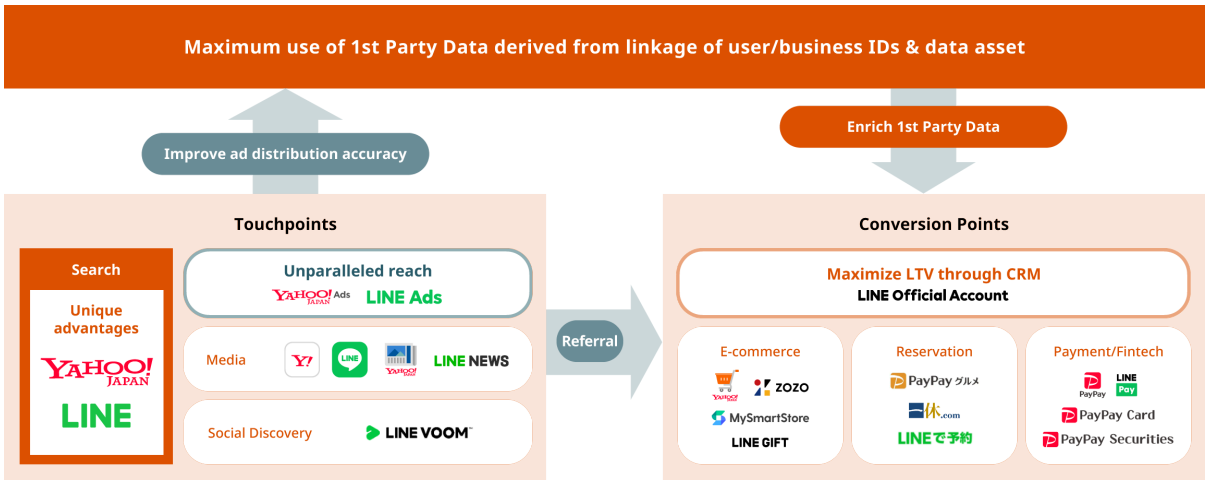
## Expenditures on Internet Advertising Media By Advertising Category




Source: Advertising Expenditures in Japan 2022—Detailed Analysis of Expenditures on Internet Advertising Media, DENTSU Inc.

## Competitive Edge

# Abundant first party data derived from our diverse touchpoints & conversion points only held by us.



## Target adjusted EBITDA (margin)

# 40%

### 1. Reinforce the competitiveness of media/search

As individuals and businesses accelerate their digital usage and Internet services diversify, we will work to strengthen the media and search domains in order to improve the competitiveness of the platform itself.

In the media domain, we will improve the quality of news services, etc., to hike user attraction to the Top Page of the portal website, Yahoo! JAPAN. In the search domain, we will improve the quality of our services, especially for search queries, which are highly profitable. Specifically, we will enhance search results for queries such as "commerce search," which is used to search for products for shopping purposes, and "local search," which is used to search for information on local restaurants, hotels, events, beauty care, and so on. We will also work to provide a new search experience using advanced technologies such as generative AI. In addition, leveraging LINE, which has monthly active users in Japan of approximately 95 million[*1] and the ecosystem of PayPay, which has approximately 58 million users and over 2.35 million merchants[*2], the LY Corporation Group will accelerate synergy generation to reinforce and expand market share.

### 2. Improve ad unit price through ID linkage

The LY Corporation Group will link the IDs of LINE, Yahoo! JAPAN, and PayPay, which have one of the largest user bases in Japan. By using the data possessed by each service, the Group will aim to improve advertising effectiveness by fortifying the delivery of advertisements and content best-suited to users. Through these efforts, we aim to raise ad unit prices over the medium- to long-term.

In addition to ID linkage between LINE and Yahoo! JAPAN, which began in October 2023, ID linkage with PayPay is scheduled within FY2024[*3]. In order to realize the effects of the linkage as soon as possible, we will implement initiatives to promote ID linkage, such as incorporating ID linkage into the requirements for acquiring the benefits of the paid membership program, as described below.

## 3. Introduce Group-wide paid membership program to fortify user base

We will aim to increase the revenues of search advertising and sales promotional advertising by promoting the traffic referral among Group services, which will be realized through the introduction of a cross-Group paid membership program which combines the benefits of the Group services.

In particular, the LY Corporation Group will launch a new paid membership program, "LYP Premium" in November 2023, which will combine the benefits of LINE, Yahoo! JAPAN, and PayPay. Through this program, we will promote the retention of users in the Group's ecosystem to enhance the use of search and promotional services, thereby maximizing ad revenue.

## 4. Integrate ad distribution platforms of LINE and Yahoo! JAPAN

By integrating the ad distribution platforms of LINE and Yahoo! JAPAN, we will provide improved convenience to the ad clients. By enabling batch ad distribution to two media with different features from a single platform, we will support our advertising clients in flexibly allocating their ad budgets and reducing lost opportunities for ad distribution, thereby improving customer satisfaction.

*1 LINE app monthly active users in Japan; as of March 31, 2023.

*2 No. of users who have registered a PayPay account; as of June 2023. No. of merchants is number of merchant locations where "PayPay" is available; as of March 2023.

*3 ID linkage will be conducted with the consent of the users.

# Results of FY2022*

| Revenue | Adjusted EBITDA | Adjusted EBITDA (Margin) |
|---|---|---|
| JPY 642.0 B | JPY 262.0 B | 40.8 % |

* 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.

The revenue of Media Business for FY2022 amounted to JPY642.0 billion (YoY +0.1%), accounting for 38.4% of total revenue. Search advertising and account advertising recorded a solid growth. However, the deterioration of advertising market in Japan from the latter half of FY2022 due to the changes in the economic environment was the major factor to this result. Adjusted EBITDA amounted to JPY262.0 billion (YoY +0.8%).

## Display Advertising

Revenue of display advertising[*1] amounted to JPY310.6 billion, decreasing 4.2% year on year. This was mainly due to a decline in the appetite of advertising clients for placing ads as a result of changes in the economic environment, and a decrease in commerce advertising revenues as a result of optimization of promotion costs in the Commerce Business. Furthermore, the effect of revenue increase due to an ad product "Talk

Head View Custom" launched in September 2021 has run its course. The renewal of Timeline to LINE VOOM, a short-form video platform, in November 2021, also affected this result.

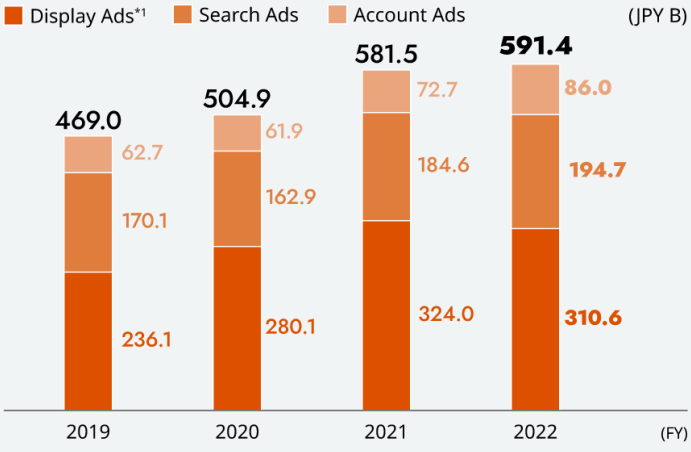
## Search Advertising

Revenue of search advertising increased 5.5% year on year to JPY194.7 billion. As with display advertising, there was a decline in the advertising clients' willingness to place search ads due to changes in the economic environment. However, the impact of market conditions was kept relatively small due to the product characteristics of search advertising, which can reach more tangible customers and are easier to measure effectiveness compared to display advertising. In addition, UI/UX improvements and enhanced search results, which were implemented continuously during the fiscal year, also contributed to growth.

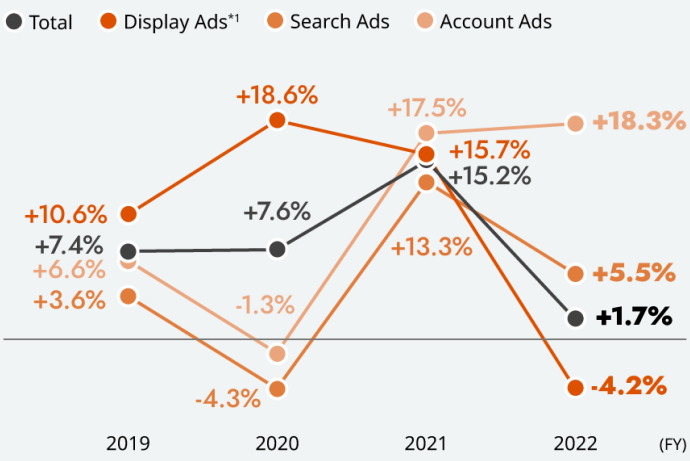
## Account Advertising

Revenue of account advertising increased 18.3% year on year to JPY86.0 billion due to the solid growth of LINE Official Account, which accounts for approximately 80% of account advertising revenue. The number of LINE Official Account largely grew to 21.636 million, due to the increased recognition as a communication infrastructure with customers, as well as cross-selling conducted with the Commerce Business. LINE Official Account is LY Corporation Group's unique product with characteristics of a CRM and sales promotion tool. Since its business model is a stock-type model, combining fixed fee and usage-based fee, it is less affected by advertising market conditions than other advertising products and remained strong even when the market deteriorated.

### Total Advertising Revenue




### Total Advertising Revenue YoY Growth Rate*2




*1 Display advertising includes revenues of other LINE Ads and commerce advertising. Revenue of commerce ads are recorded in the Commerce Business.

*2 Z Holdings Corporation and LINE Corporation integrated their businesses from FY2020-Q4. The growth rate was calculated on the premise that LINE Corporation's total advertising revenue was included from the beginning of FY2018.

# Priority Initiatives in FY2023

For the Media Business of FY2023, we expect a low-single digit year on year increase in advertising revenue[*1]. Adjusted EBITDA is expected to amount to JPY265.0 billion.

For search advertising, the LY Corporation Group will focus in enriching the search results for the commerce and local domains and continuously strive to improve UI/UX, thereby increasing revenue. For account advertising, the Group will endeavor to achieve a double-digit revenue growth, as in the previous fiscal year, through an increase in the paid accounts by expanding the CRM functions of LINE Official Account and revising fee plans. We will maintain and expand revenue of display advertising through the enrichment of video advertising and reinforcement of the Top Page of Yahoo! JAPAN, the portal website, while keeping a close watch on the advertising market conditions.

In addition, the LY Corporation Group will strive to produce outcomes quickly from the ID linkage[*2] which began in October 2023 and will improve the accuracy of ad distribution through the usage of data. Furthermore, the Group aims to strengthen its user base through “LYP Premium,” a paid membership program scheduled to be launched in November 2023.

On the sales front, through the Group reorganization implemented in October 2023, the LY Corporation Group will consolidate functions and organizations to build an efficient business operation structure. We will also continue to focus on sales collaborations with SoftBank.

*1 Media Business revenue minus “Others” in Media Business.

*2 ID linkage with PayPay is scheduled to begin within FY2024.

# Playing our part in mitigating and preventing disasters

Every year, we have conducted a project on March 11, the day on which the Great Eastern Japan Earthquake occurred, to raise awareness on disaster prevention and to support the recovery of the affected areas. In 2023, the project had three objectives: to raise awareness of disaster prevention to reduce damages from future disasters; to support reconstruction in the areas affected by the Great Eastern Japan Earthquake; and to prevent the memories of the earthquake from being forgotten. In addition to various donation initiatives through queries, the project supported the reconstruction of the affected areas and raised the awareness of disaster prevention through "smartphone evacuation simulation," a hands-on disaster prevention content. We will continue to develop and provide services and implement initiatives in the field of disaster prevention that leverage the strengths of our services, aiming for "a future in which as many lives as possible can be saved in every disaster and in every situation."

→ More details (Japanese only)

# Transparency Report

As a digital platform operator, LY Corporation builds a sound operational framework and discloses its details with transparency. For LINE, "LINE Transparency Report" is published regularly since the second half of FY2016. The report sheds light on how data entrusted from users are handled in the maintenance and operation of various services of "LINE." For Yahoo! JAPAN, the "Transparency Report on Advertising Service Quality," which compiles the screening results conducted to enhance advertising service quality, has been regularly released since FY2019. LY Corporation will continue to promote various efforts for transparency and quality improvement, and provide information on details of these efforts to provide services that satisfy all of the customers, including Internet users, advertising clients, and partners.

# Provision of a Function to Select Environmentally Friendly Routes

In February 2023, LY Corporation started offering a function that allows users to check the $CO_2$ emissions of the routes they search and select environmentally friendly routes for three services related to transportation. The three services to which this function was added were: Yahoo! JAPAN Maps (app version); Yahoo! JAPAN Car Navigation, a car navigation app; and Yahoo! JAPAN Transit Navigation, an app to find the transit routes. By displaying $CO_2$ emissions on the services that users use on a daily basis when traveling, we encourage users to develop an awareness of $CO_2$ emissions. LY Corporation will continue to promote efforts to address climate change issues in order to realize a sustainable society.

## Major Services and Products

### Search Advertising

#### Yahoo! JAPAN Ads Search Advertising

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

### Account Ads

#### LINE Official Account

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

#### LINE Promotion Sticker

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

### LINE Sales Promotion

LINE Sales Promotion solves various issues in in-store sales promotions, such as reducing in-store operations and encouraging participation in promotional campaigns.

### Yahoo! JAPAN Sales Promotion

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

## Display Advertising

### Chat List

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

### LINE NEWS

A news service characterized by high monthly active users (MAU) of over 77 million[*1].
In addition to the article listing page referred to from the News tab in LINE app, advertisements can be distributed to the article listing page of the account media of 430 media outlets[*2].

*1 As of August 2021

*2 As of February 2023

### LINE VOOM

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

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

### Yahoo! JAPAN Ads Display Advertising (Programmatic-based)

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

### Yahoo! JAPAN Ads Display Advertising (Reservation-based)

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

## Others

### LINE Sticker

LINE Sticker provides various stickers and emojis that make chats more enjoyable and also offers various themes that allow users to customize their LINE screens.

### LINE GAME

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

## LINE Fortune

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

## Yahoo! JAPAN Search

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

## Yahoo! JAPAN News

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

## Yahoo! JAPAN Weather

A weather app that provides not only weather forecasts, but all kinds of information related to weather and natural disasters. It also provides real-time "rain cloud radar" to check the movement of rain clouds across Japan, as well as seasonal weather information such as information on pollen and snowfall, and heat stroke index.

## Yahoo! JAPAN Transit Information

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