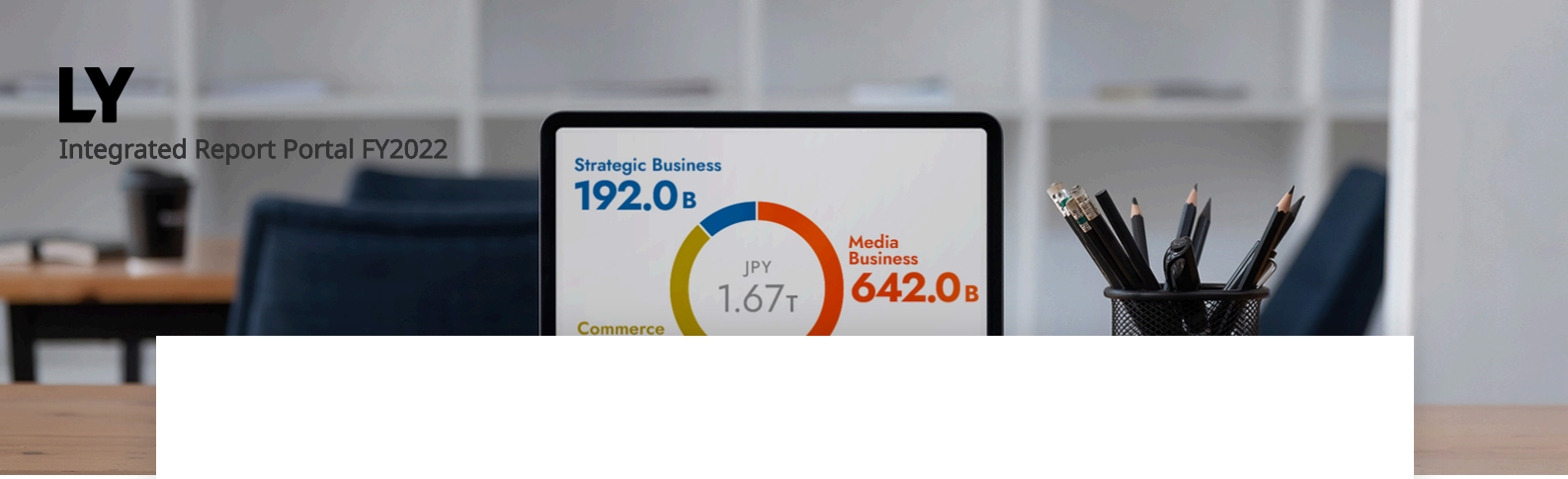
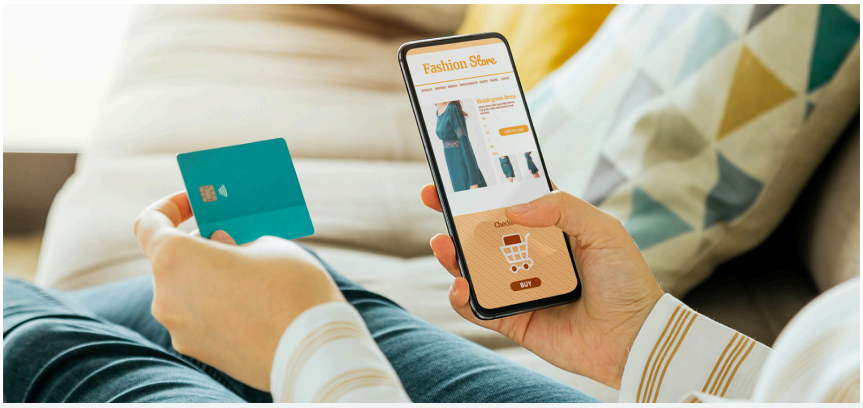


Commerce Business

Last updated: 10/17/2023



Utilizing our Group assets, we aim to balance growth with profitability through the enlargement of our Group ecosystem and cost optimization.

YAHOO! JAPAN ショッピング (Japanese only)

ZOZOTOWN (Japanese only)

LOHACO (Japanese only)

LINE SHOPPING (Japanese only)

LINE GIFT (Japanese only)

MySmartStore (Japanese only)

ヤフオク! (Japanese only)

PayPay フリマ (Japanese only)

ASKUL (Japanese only)

一休.com (Japanese only)

E-commerce transaction value

JPY **4.11** T

(FY2022)

Number of products in Yahoo! JAPAN Shopping

Over **400** mil

(As of July 6, 2022)

Number of items constantly listed in YAHUOKU!

72.83 mil

(As of December 2022)

Our View of the Business Environment

According to a survey conducted by the Japanese Ministry of Economy, Trade and Industry, out of the Japanese business-to-consumer e-commerce (B2C EC), the market size of the merchandising sector expanded by 5.37% year on year to JPY13.9997 trillion in 2022, while the EC ratio was up 0.35 percentage points compared to the previous year to 9.13%*. The market expanded dramatically in 2020 and 2021, due to the increase in e-commerce users as a result of the effects of stay-at-home demand during the COVID-19 pandemic. However, as the consumers returned to the brick-and-mortar stores in 2022, stay-at-home demand slowed, resulting in a moderate growth compared to the previous year. In addition, the slowdown in the growth rate was also affected by a decline in demand due to rising sales prices, particularly for durable consumer goods.

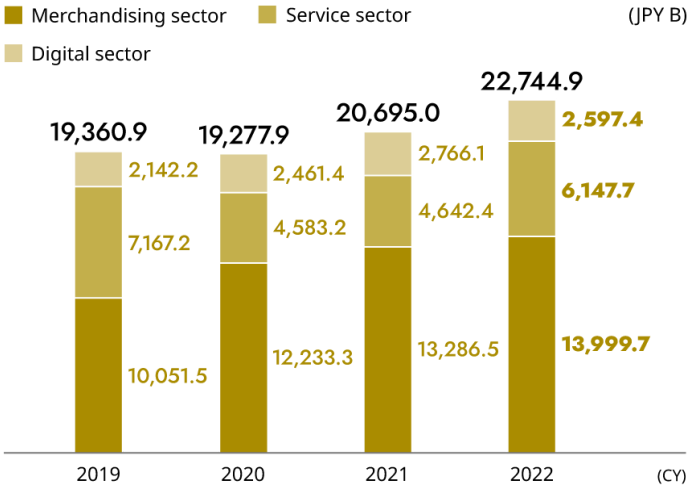
The scale of the B2C EC market in the service sector was JPY6.1477 trillion (up 32.43% year on year)* due to the increase in consumer demand to go out and the recovery in the travel and dining services. However, the recovery did not meet the level before the pandemic in 2019 (JPY7.1672 trillion)*.

The market size of C2C EC including Internet auctions and flea market apps is estimated to be JPY2.3630 trillion (an increase of 6.8% year on year)*. The population of reuse users is expected to continue to grow in the future, driven by the growing awareness towards sustainability in recent years.

Although stay-at-home demand has slowed and consumers are returning to brick-and mortar stores, the use of various types of e-commerce is continuing to increase. In addition, the EC ratio in Japan remains low compared to other countries, and the Japanese e-commerce market is expected to expand in the future.

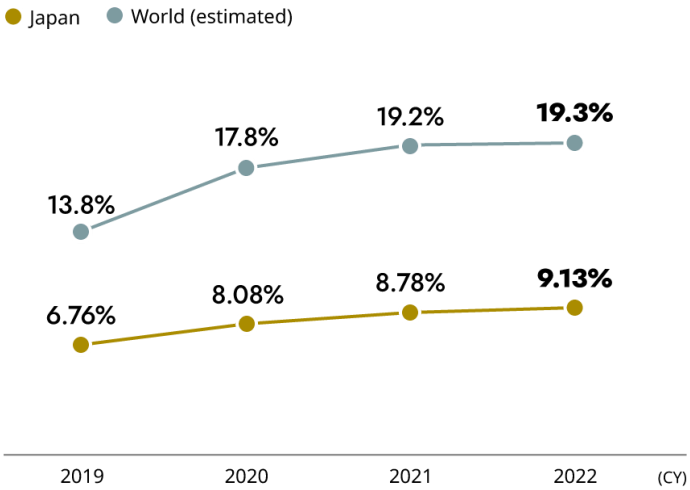
* Ministry of Economy, Trade and Industry, FY2022 E-Commerce Market Survey

Scale of the Domestic B2C EC Market



Source: Ministry of Economy, Trade and Industry, FY2022 E-Commerce Market Survey

E-Commerce Ratio of the B2C EC Market



Source: Ministry of Economy, Trade and Industry, FY2022 E-Commerce Market Survey

Competitive Edge

We offer a variety of commerce experiences to a wide range of users, leveraging our diverse business portfolio.

*1 Number of monthly active users (Japan) of LINE app as of March 31, 2023.

*2 Calculated by the Company based on "Nielsen NetView/Mobile NetView Custom Data Feed." Monthly average from January 2022 to December 2022. Figure for smartphone access to Yahoo! JAPAN (brand level, includes use of app). Rounded to two significant digits.

*3 Number of PayPay registered users as of June 2023.

Balancing Growth and Profitability

In the Commerce Business, we will strive to expand the e-commerce transaction value using Group assets, and aim to secure a sustainable growth through cost optimization and concentration of management resources on highly profitable services.

1. Optimization of Sales Promotional Strategies

Under the goal we upheld in 2018, to become No.1 in domestic merchandise e-commerce transaction value in the early 2020's, we have expanded the transaction value of the Commerce Business through sales promotional strategy based on large-scale sales promotional campaigns. However, we withdrew the said target in the second half of FY2022, in light of subsequent changes in market conditions and the sustainability of the strategy. In the future, the LY Corporation Group will balance growth and profitability, and aim for a sustainable growth. Especially, for the online shopping mall, "Yahoo! JAPAN Shopping," instead of the traditional large-scale promotions, we will implement measures to promote daily use which will lead to user stickiness. In addition, as described later, we will promote the cross-use of the Group's services to efficiently expand the user base. By redistributing the streamlined management resources to more profitable services, we will improve the profitability of the entire Commerce Business.

2. Expansion of Group Ecosystem Utilizing Group Assets

The LY Corporation Group will aim for a sustainable growth by connecting the three action points: LINE, Yahoo! JAPAN, and PayPay, whose user bases are among the largest in Japan, to promote the cross-use of Group services and to expand the Group ecosystem.

Launch of cross-Group paid membership program

We will maximize the user base of the Group utilizing the paid membership program provided across the Group. The program provides benefits which combine the benefits provided in the Group's services. From before, we have operated a monthly membership service, Yahoo! JAPAN Premium, which allows users to save at various services of Yahoo! JAPAN, such as Yahoo! JAPAN Shopping. Yahoo! JAPAN Premium boasts a membership of 23 million, and serves as an important user base for our e-commerce services. In fact, approximately 70-80% of transaction value of Yahoo! JAPAN Shopping is derived from the repeated use by Yahoo! JAPAN Premium members. By adding the benefits of Group services such as those of LINE with monthly active users exceeding 95 million[*1], and PayPay with registered users exceeding 58 million[*2] to Yahoo! JAPAN Premium, we will promote the cross-use of Group services, increase the users of the commerce services, and enhance user stickiness.

Promoting cross-use in the reuse business

Reuse business has two services with differing characteristics: YAHUOKU!, an Internet auction service, and PayPay Flea Market, a flea market app. By reinforcing the linkage between the two services, we will aim to increase the transaction value. Among competing services, the average transaction price in YAHUOKU! is relatively high, and the heavy user base, including overseas users, accounts for the majority of the transaction value. Meanwhile, PayPay Flea Market, launched in 2019, has succeeded in attracting many new users by taking advantage of the reasonable commission price, the simplicity of the app, and the flea market format that allows sellers to set the selling price, unlike the auction format. We will reinforce the linkage between the two services to promote users of PayPay Flea Market to use YAHUOKU!, and will aim to covert these users to heavy users as well as to increase the average transaction price.

*1 Number of monthly active users (Japan) of LINE app as of March 31, 2023.

*2 Number of PayPay registered users as of June 2023.

Results of FY2022

Revenue	Adjusted EBITDA	Adjusted EBITDA (Margin)
JPY 836.4 B	JPY 153.6 B	18.4 %

Revenue of the Commerce Business for the consolidated FY2022 increased by 3.1% over the previous year's result to JPY836.4 billion, constituting 50.0% of total revenue. This was due to the revenue increases in ASKUL Corporation and ZOZO, Inc., and favorable performance in the travel business following the reopening of economic activities. Adjusted EBITDA increased 16.8% year on year, to JPY153.6 billion as a result of the increase in revenue and change in the promotional strategy implemented during the fiscal year, which led to cost optimization.

E-commerce transaction value[*1] amounted to JPY4,114.3 billion, increasing 7.4% year on year, due to the recovery of domestic service EC mainly around the travel business, as well as the stable growth of the reuse business. Out of the e-commerce transaction value, domestic merchandise transaction value amounted to JPY2,988.0 billion, increasing 1.2% year on year.

Shopping Business

Out of the domestic merchandise transaction value, shopping business transaction value amounted to JPY1,694.6 billion, a year on year decrease of 0.2%, impacted by the change in the promotional strategy implemented in the middle of the term. In October 2022, Yahoo! JAPAN Shopping and PayPay Mall, the two online shopping malls, were integrated and renewed, delivering simple, easy-to-search, safe and secure shopping experiences. In March 2023, we launched a mileage-type sales promotional service, "LYP Mileage" which leverages the strengths of LINE, Yahoo! JAPAN, and PayPay. LYP Mileage rewards, which are granted based on the purchase amount of each product, allow users to save the more they buy across offline and online boundaries.

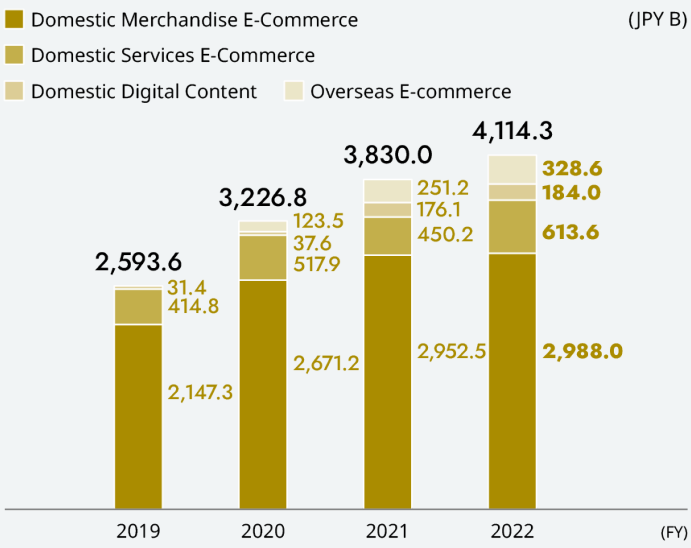
Reuse Business

In the domestic merchandise transaction value, the transaction value of reuse business expanded due to the growth of YAHUOKU! and increased use of PayPay Flea Market, resulting in JPY986.0 billion (YoY +6.2%). Higher transaction value per customer due to the active trading of high-unit price merchandise boosted the transaction value of YAHUOKU! The sales commission of PayPay Flea Market is set at 5% of the sales price, which is the lowest in the general flea market app industry*2. PayPay Flea Market also expanded various functions to facilitate the matching of sellers and buyers. As a result, the cumulative downloads exceeded 15 million in September 2022. In addition, to promote cross-use, a function was added to the search screen and product pages of PayPay Flea Market to display similar products listed on YAHUOKU!, providing a seamless experience that has increased the number of users who use both services.

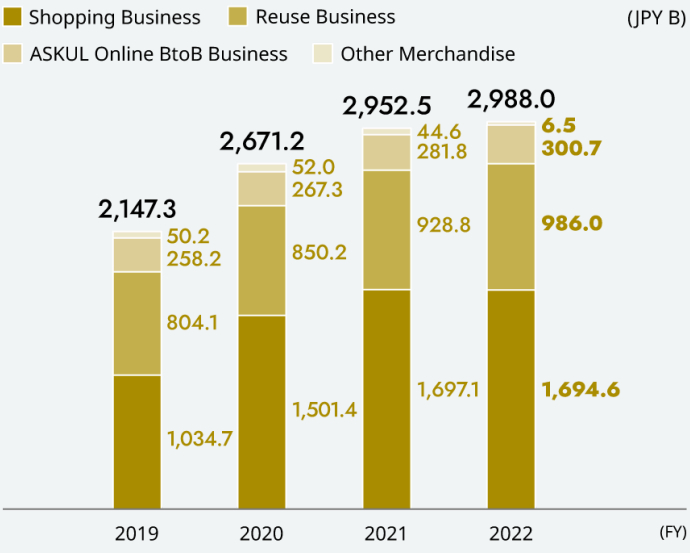
Services E-Commerce Business

Services e-commerce business which handles travel and dining reservations, such as Ikyu Corporation, was positively affected by the relaxation of behavioral restrictions imposed due to COVID-19, and the Japanese government's support to promote travel in Japan. The transaction value of this business was JPY613.6 billion (YoY +36.3%), returning to an increase.

E-Commerce Transaction Value*1



Domestic Merchandise Transaction Value



*1 E-commerce transaction value is the total of transaction values of domestic merchandise e-commerce, domestic services e-commerce, overseas e-commerce, and domestic transaction value included in "Other" of Media Business (e.g., paid digital content).

*2 Compared with the sales commission rate of two other flea market apps (general flea market platform operators). Survey conducted by the Company as of October 7, 2022.

Priority Initiatives in FY2023

FY2023 will be positioned as a year to build the foundation for renewed growth from FY2024 onwards. We will continue to work on cost optimization and selectively focus on key businesses. We expect a mid- to high-single digit year on year revenue increase, driven by the subsidiaries, such as ASKUL Corporation and ZOZO, Inc. On the expense side, we will continue to optimize the promotional expense for Yahoo! JAPAN Shopping and reduce fixed cost, and expect an adjusted EBITDA of JPY172.0 billion.

As one of the measures to re-propel growth, we will launch a cross-Group paid membership program, "LYP Program" in November 2023, combining the benefits of LINE, Yahoo! JAPAN, and PayPay. By increasing the traffic from LINE's user base and PayPay's ecosystem, we will aim to increase the transaction values of our commerce services.

Sustainability Initiatives

Converting Energy Used in Logistics Bases to Renewable Energy

In the Commerce Business, the LY Corporation Group works to reduce greenhouse gas emissions throughout the supply chain, particularly at subsidiaries, such as ZOZO, Inc., and ASKUL Corporation, which have their own logistics bases.

ZOZO, Inc. ("ZOZO") made its "2030 Carbon Neutral Declaration" in February 2022, which aims to reduce greenhouse gas emissions from its business activities to virtually zero by FY2030. In addition, in January 2023, it made a declaration named "Net Zero," which aims to reduce supply chain emissions, including greenhouse gas emissions by business partners, to virtually zero by 2050. To achieve this, ZOZO has introduced 100% renewable energy derived from biomass and solar energy with FIT Non-Fossil Certificate with Tracking, etc., to its logistics bases: ZOZOBASE Narashino 1 and ZOZOBASE Tsukuba 1 from January 2022; ZOZOBASE Tsukuba 2 from June 2022; ZOZOBASE Narashino 2 from September 2022; and ZOZOBASE Tsukuba 3 from March 2023. As a result, more than 95% of ZOZO's electricity consumption is derived from renewable energy, resulting in the company's achievement of its interim goal of "more than 80% of the electricity used by the company will be generated from renewable energy sources by FY2025," approximately two years ahead of schedule.

ASKUL Corporation ("ASKUL") announced the "2030 CO_2 Zero Challenge" in 2016. Its target is to reduce CO_2 emissions from its business sites and logistics bases to net zero by 2030, and is proactively promoting the introduction of renewable energy mainly in its logistics bases. ASKUL introduced renewable energy-derived electricity in one of its logistics bases, "DCM Center" in April 2022, and converted all of the electricity used in its head office to renewable energy-derived electricity in the following May. As a result, ASKUL has achieved a 65% renewable energy usage rate among its electricity usage.

Initiatives to Realize a Recycling-Oriented Society

LY Corporation contributes to the building of a circular economy through its reuse-based e-commerce business, which consists of YAHUOKU! and PayPay Flea Market. We are actively working to help create a recycling-oriented society by promoting "reuse," in which unused items are given to those who need them and reused. The reuse of items reduces the consumption of new resources, as well as CO_2 emissions from the production of goods and disposal of waste. Each platform also focuses on charity projects and social contributions.

To utilize limited resources effectively, reduce CO_2, and fulfill its responsibility as a supplier, ASKUL works on the resource recycling of clear plastic folders, which ASKUL has one of the highest sales volumes in Japan. Used clear plastic folders collected from nationwide participants are sorted, recycled, and reused as raw materials for new products. LOHACO, ASKUL's BtoC service, also cooperates with brands and companies to reduce waste to zero by selling good products at outlet prices that would otherwise have been discarded without reaching customers for a variety of reasons.

To solve the problems of mass production and mass disposal in the fashion industry in recent years, ZOZO provides ZOZOUSED, a reuse business that buys used clothes from users and sells them, and "Replacement Discount," a trade-in service that promotes the recycling of used and new clothes. Furthermore, to address one of its materiality issues, "Highlight sustainable fashion choices to improve users' experience," ZOZO operates a permanent content, "elove by ZOZO" in ZOZOTOWN, which presents sustainability information on fashion. ZOZO also works to realize a sustainable fashion world by operating "Made by ZOZO," a production support platform business that aims to eliminate inventory risk for fashion brands.

Merchandise E-Commerce

Shopping Business

Yahoo! JAPAN Shopping

Yahoo! JAPAN Shopping is one of Japan's largest online shopping malls and offers a vast array of products ranging from popular home appliances to groceries, daily necessities, and ideal gift options. When linked with PayPay, users can receive point rewards for their shopping and use the points for the next shopping. Yahoo! JAPAN Shopping also offers a wide variety of sales and promotions that offer discounts, point rewards, and other savings. It also offers a large section of products labelled as "blue-ribbon delivery," which provides safe and fast delivery. Many "blue-ribbon stores" that meet the mall's own standards and brand-owned stores are available, providing a safe and secure shopping experience.

ZOZOTOWN

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

* As of December 31, 2022

LOHACO

LOHACO is a shopping website specializing in everyday household goods, jointly operated by LY Corporation and ASKUL Corporation. LOHACO offers a diverse array of products (e.g., food and drinks, detergents and kitchen supplies, pharmaceuticals, cosmetics, pet supplies, interior goods, and original items) which are delivered on the next day at the earliest. LOHACO is supported by many users with the cumulative number of users reaching approximately 9.3 million in August 2022.

Yahoo! JAPAN Mart by ASKUL

Yahoo! JAPAN Mart is an instant delivery service of groceries and daily necessities, jointly launched by LY Corporation and its Group companies, ASKUL Corporation and Demae-can Co., Ltd. in January 2022. The service handles a wide range of products (approximately 3,000) and users can receive their items in as little as 15 minutes* after ordering and paying. The service meets the user needs of wanting goods delivered immediately.

* Delivery times are intended as estimates only. Deliveries may arrive earlier or later than estimated due to weather, traffic and other circumstances.

LINE SHOPPING

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

→ More details (Japanese only)

LINE GIFT

LINE GIFT is a communication service that allows users to exchange gifts with their friends via LINE Chat, offering more than 200,000 items*. Gifts can easily be sent even if the recipient's address is unknown and a face-to-face encounter is not possible. This service is ideal for a variety of situations, such as seasonal celebrations and important life events, or simply as a way to send a token of gratitude.

* As of November 2022

MySmartStore

MySmartStore is an online store creation service localized for Japan from NAVER SmartStore, which is currently provided by NAVER in South Korea. MySmartStore offers an extensive range of design layouts and editing functions that can be used even by complete beginners to create unique stores suited to various devices. Analytical data useful for sales strategies, such as top-selling products, can be viewed from the store's management screen, and there is also a feature to identify key customer profiles and the routes through which they access the store sites. The aim is to create a one-stop service covering everything from store opening and operation to support for attracting and managing customers.

Reuse Business

YAHUOKU!

YAHUOKU! is one of Japan's largest online auction and flea market apps, and boasts a constant display of 72.83 million items. YAHUOKU!, a hub of vast array of used items, provides the ideal way to discover exclusive products, limited-edition items, and items not sold through retail channels, such as other flea market/online shopping apps, e-commerce outlets, and fashion apps.

* As of December 2022

PayPay Flea Market

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

* Shipping charges are borne by the sellers

ZOZOUSED

At ZOZOUSED, used clothing and second-hand products from popular brands are available for purchase online. Clothing from more than 6,500 brands are handled, and more than 600,000 items are constantly displayed.

* As of December 2022

ASKUL Online BtoB Business

ASKUL

ASKUL is an e-commerce website providing goods and services needed by all working people*1. With a lineup of over 12 million items*2, it offers a comprehensive selection of products for customers working in a wide range of industries.

*1 Only sales via the Internet are included in ASKUL's BtoB business

*2 As of December 2022

SOLOEL ARENA

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

Services E-Commerce

Ikyu.com

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

Yahoo! JAPAN Travel

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

Other

Yahoo! JAPAN Premium

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

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