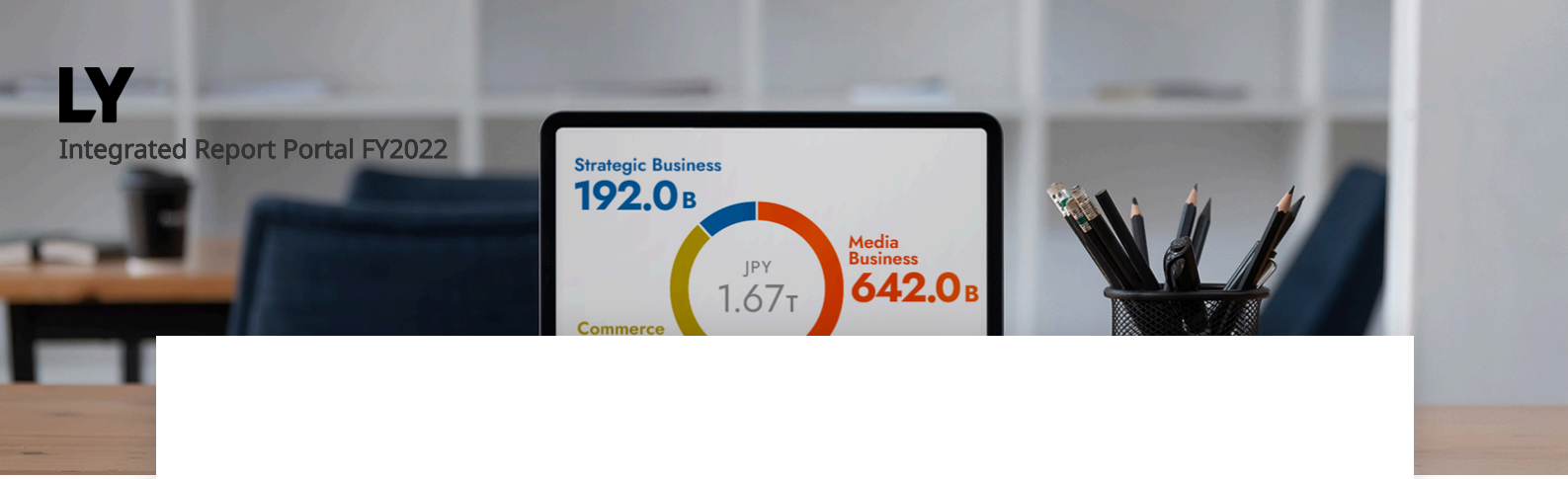


Strategic Business

Last updated: 10/17/2023

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

PayPay

PayPay Card (Japanese only)

PayPay Bank (Japanese only)

PayPay Insurance Service (Japanese only)

LINE Pay (Japanese only)

LINE Pocket Money (Japanese only)

LINE NFT (Japanese only)

LINE ドクター (Japanese only)

PayPay
Registered users

Over 58 mil

(As of June 2023)

PayPay
Consolidated GMV*
(Including PayPay Card)

JPY 10.2 T

(FY2022 result)

PayPay Bank
Deposit balance

JPY 1.6 T

(As of March 31, 2023)

PayPay Card
Active card holders

10.04 mil

(As of March 31, 2023)

* Includes PayPay Card's transaction volume from the beginning of the fiscal year. Excludes payments using PayPay Credit (formerly PayPay Atobarai) and overlap in topping up PayPay Balance using PayPay Card and PayPay Card Gold.

Our View of the Business Environment

The Japanese Ministry of Economy, Trade and Industry promotes cashless payments with the aim of increasing the ratio of cashless payments to around 40% by 2025 and then further to the world's highest level of 80%. The ratio rose steadily and reached 36.0%*1 in 2022. This is due to several factors, including decreased opportunities to go out as a result of the COVID-19 pandemic, which has accelerated consumer use of e-commerce and the shift of business online by businesses that have mainly operated in brick-and-mortar stores, thereby raising Japan's EC ratio. Driven by these changes in the environment, the cashless market is expected to expand further in the future.

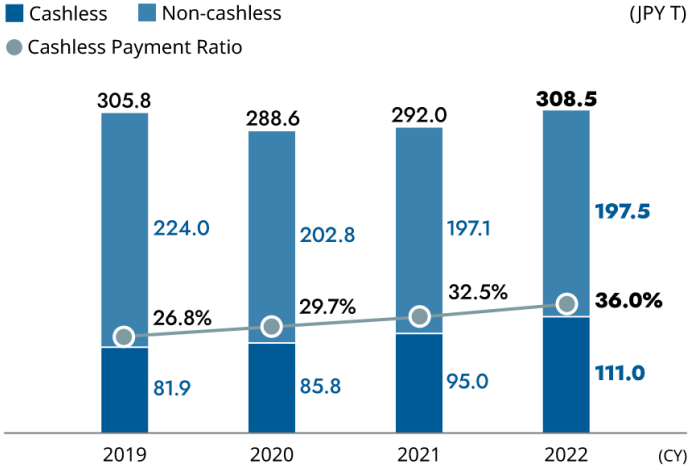
Of the 36.0% cashless payment ratio in 2022, 30.4% was credit card payments, 2.6% code payments, 2.0% e-money, and 1.0% debit cards. The indicator of domestic spending using credit cards, which makes up the largest share of cashless payments, is the amount of credit provided. In 2022, this increased by 15.8% over the previous year's level to JPY93.8 trillion*2. Code payments at stores also expanded dramatically in 2022, with a 46.9% year on year increase to JPY10.8 trillion, while the number of in-store payments was 61.2% higher at 7.9 billion times*3.

*1 Ministry of Economy, Trade and Industry, Cashless Payment Ratio for 2022

*2 Japan Consumer Credit Association, Credit Statistics of Japan (2022)

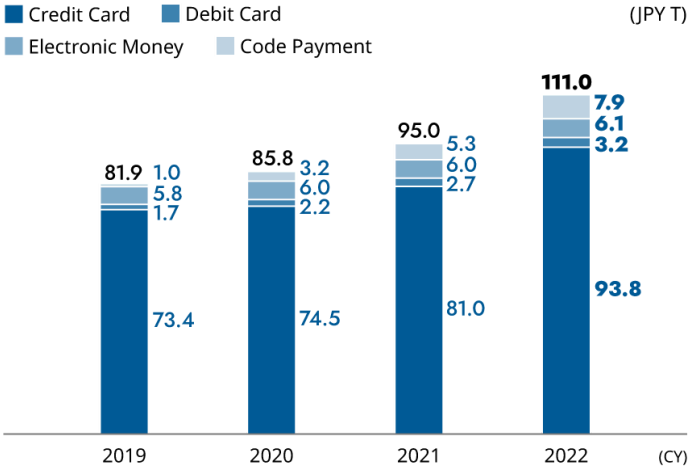
*3 Payments Japan Association, STATS – CODE PAYMENT (March 3, 2023)

Cashless Payments as a Percentage of Domestic Final Consumption Expenditure of Households



Source: Ministry of Economy, Trade and Industry, Cashless Payment Ratio for 2022

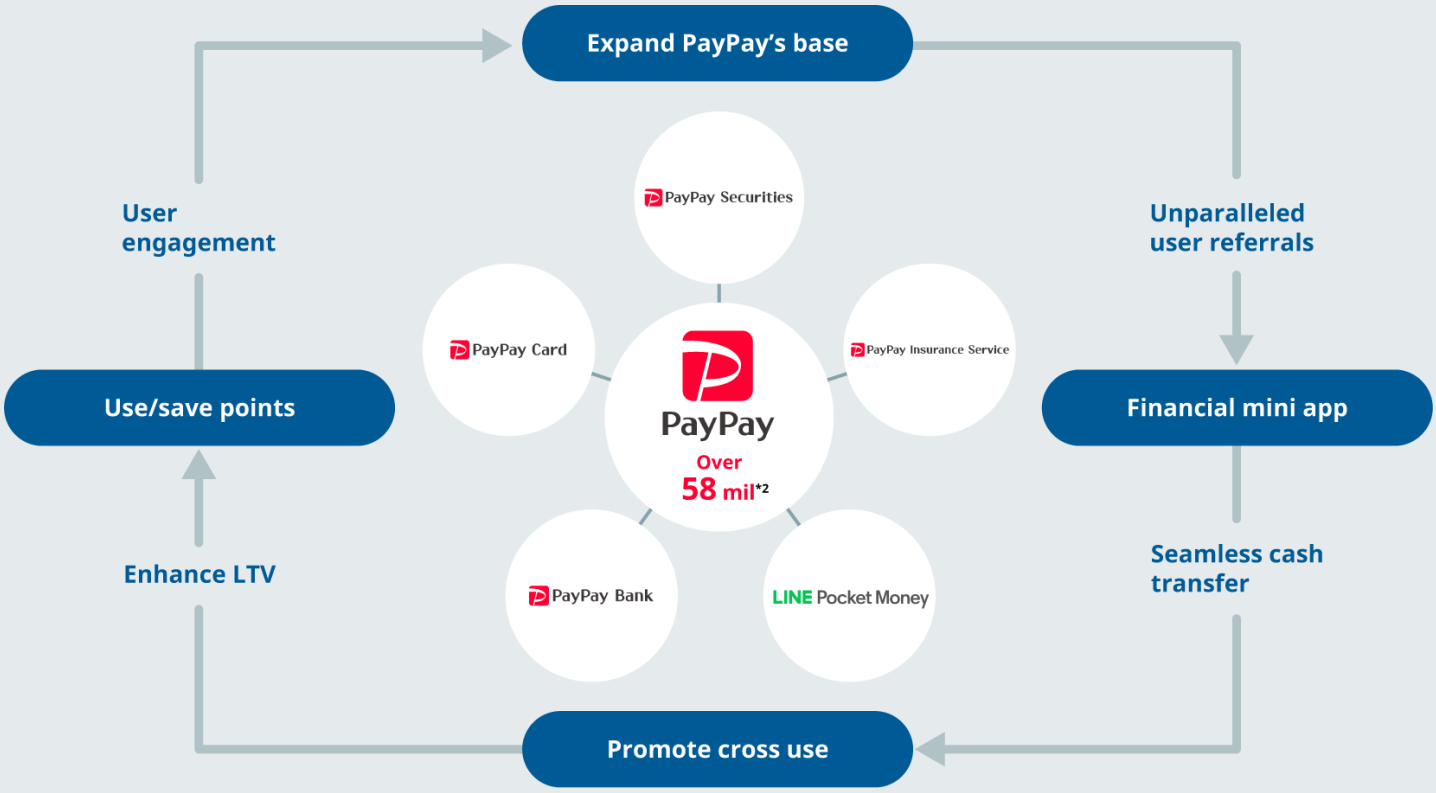
Breakdown of Cashless Payment Amounts



Source: Ministry of Economy, Trade and Industry, Cashless Payment Ratio for 2022

Competitive Edge

We have built a financial ecosystem that includes credit cards, banking, securities, and insurance around PayPay, our cashless payment service that accounts for 67%*1 of Japan's QR code payment market.



*1 Share of payment GMV: Calculated by the Company based on the 2022 total payment amount in stores from STATS – CODE PAYMENT (March 3, 2023) released by Payments Japan Association.

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

* PayPay Securities Corporation is a consolidated subsidiary of SoftBank Corp.

Growth Strategy

Revenue increase:

over +20% each year

Adjusted EBITDA:

achieve profitability within a few years

1. Expansion of the Payment and Financial Businesses around PayPay

The LY Corporation Group will work to expand its financial services, including credit card, banking, securities, and insurance, around its cashless payment service, PayPay, with the aim of making the fintech domain a new revenue pillar next to the Media and Commerce Businesses.

- **PayPay**

PayPay Corporation aims to achieve growth through a three-tiered revenue model consisting of payment fee income, merchant services, and financial services. For payment fee income, it will work to improve profitability by enhancing efficiency in fund source costs while continuing to strive to increase the number of users and payments. In merchant services, it will work to develop and provide marketing solutions that help merchants increase sales. In financial services, it will aim to increase revenue in areas such as asset management and insurance by collaborating with Group and external companies.

- **PayPay Card**

PayPay Card Corporation, which provides credit card services, aims to increase its active cardholders and transaction volume by reinforcing links with PayPay. The company changed its name to PayPay Card Corporation in October 2021, launched PayPay Credit (formerly Atobarai, deferred payment) in February 2022, and became a wholly-owned subsidiary of PayPay Corporation in October 2022. PayPay Card Corporation will accelerate its strategy for integration with PayPay to triple the number of active cardholders compared to the end of June 2022.

PayPay Bank

Founded in 2000 as the first pure Internet bank in Japan, PayPay Bank Corporation aims to increase its number of accounts and deposit balance through its collaborations with PayPay. The company changed its name to PayPay Bank Corporation in April 2021 and launched a feature that enables users to use PayPay Bank services from the PayPay app in August 2022. It will continue to work to increase revenue by reinforcing links with PayPay.

In addition to the above, PayPay Securities Corporation*, a securities company that operates exclusively via smartphones, seeks to increase its number of securities accounts by strengthening links with PayPay ahead of the new NISA program in 2024. Initiatives include the launch of PayPay Asset Management in August 2022, which enables customers to buy and sell securities on the PayPay app. PayPay Insurance, operated by PayPay Insurance Service Corporation, aims to increase its number of insurance policy contracts by offering the PayPay Insurance mini app, which provides various types of easy-to-subscribe insurance policies within the PayPay app.

2. Optimization of Management Resources through Selective Focus on Key Businesses

The LY Corporation Group is pursuing cost efficiency and selectively focusing on key businesses across the Group. The process of business integration with LINE Corporation has resulted in an overlap of certain businesses and services in the Strategic Business segment. We will optimize our management resources by restructuring our business, including withdrawal and integration, especially in these overlapping businesses.

We will conduct upfront investments for product development and service expansion in domains with the potential for further market expansion, such as fintech and AI. We will make investment decisions based on internal financial disciplines and decide whether to continue with or withdraw from new businesses within 3–5 years from service launch.

* PayPay Securities Corporation is a consolidated subsidiary of SoftBank Corp.

Results of FY2022*

Revenue	Adjusted EBITDA	Adjusted EBITDA (Margin)
JPY 192.0 B	- JPY 43.4 B	N.A.

* From FY2022-Q1, Yahoo Japan Corporation's financial service which had formerly been recorded in Strategic Business has been transferred to Media Business. LINE Corporation's services that had been recorded in Adjustments have been transferred to each business segment. Accordingly, past data and comparisons have been retroactively adjusted to conform to the current segments.

Revenue of the Strategic Business for the consolidated FY2022 increased by 73.3% year on year to JPY192.0 billion, constituting 11.4% of total revenue. The main contributing factor was the consolidation of PayPay Corporation in October 2022. Adjusted EBITDA decreased JPY32.0 billion year on year to a negative JPY43.4 billion due to the consolidation of PayPay Corporation and absence of gain on sales of YJFX, Inc., recorded in the previous fiscal year.

PayPay & PayPay Card

When LY Corporation consolidated PayPay Corporation in October 2022, PayPay Corporation consolidated PayPay Card Corporation, which had been the consolidated subsidiary of LY Corporation. The consolidated FY2022 revenue of PayPay Corporation, including PayPay Card Corporation, was 64.0% higher year on year at JPY167.6 billion, while EBITDA increased JPY31.3 billion to a negative JPY11.9 billion[*1]. PayPay Corporation's consolidated GMV[*2] increased by 33.7% year on year to JPY10.2 trillion.

On a non-consolidated basis, PayPay Corporation's number of PayPay payments grew significantly (+41.5% year on year) to 5.1 billion, indicating that PayPay has further been established as a daily-use payment method. In addition, the number of PayPay registered users as of the end of FY2022 increased by 21.1% year on year to 56.64 million, and the number of PayPay registered locations by 12.0% to 4.10 million, indicating that PayPay is building an even more robust business base.

PayPay Card Corporation achieved double-digit growth both in the number of active cardholders and transaction volume. As of the end of FY2022, the number of active cardholders increased by 20.8% year on year to 10.04 million, while the transaction volume for FY2022 grew by 24.9% year on year to JPY3,632.7 billion. This can be attributed to the success of integrated promotions with PayPay, launched after PayPay Corporation consolidated PayPay Card Corporation. The revolving balance also grew dramatically (40.6% year on year) to JPY259.8 billion. Furthermore, PayPay Card Gold was launched in November 2022 to increase average spend and encourage users to make the card their main credit card.

PayPay Bank

PayPay Bank Corporation's revenue[*3] grew by 18.0% year on year to JPY38.2 billion. The bank achieved steady growth in its KPIs as of the end of FY2022, with the number of accounts increasing by 15.6% year on year to 6.96 million, the deposit balance by 14.0% to JPY1,666.9 billion, and the loan balance by 49.8% to JPY624.4 billion, due to an increase in the number of new account openings via PayPay and other factors.

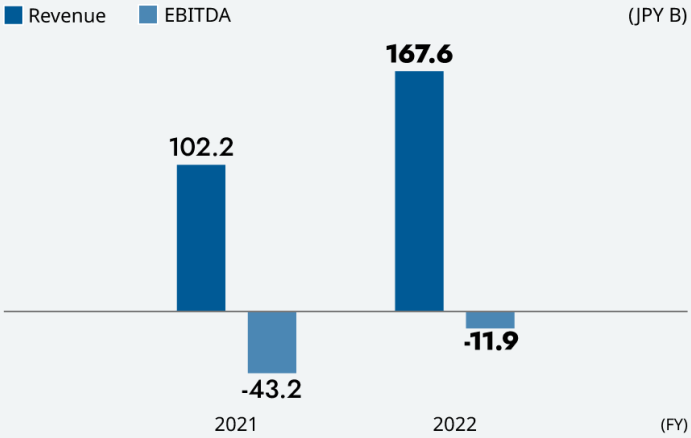
Other Fintech

The revenue of other fintech grew by 27.9% year on year to JPY33.6 billion, due to the expansion of financial services offered mainly by LINE Corporation. The number of LINE Bank users in Taiwan and Indonesia increased significantly by 34.2% and 58.6%, respectively, compared to the end of FY2021.

Furthermore, as we pursue cost optimization and selective focus on key businesses across the Group, we decided in March 2023 to halt the project of launching a new bank, jointly invested with Mizuho Bank Ltd. This resulted in the recording of equity in losses of associates and joint ventures of JPY7.8 billion.

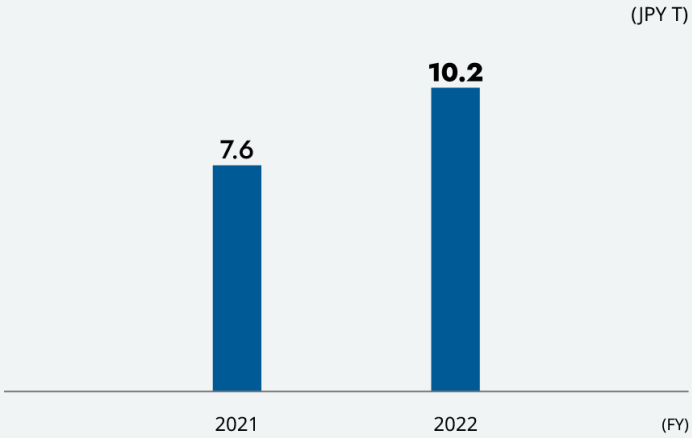
PayPay Consolidated Revenue/EBITDA*1

(Includes PayPay Card)

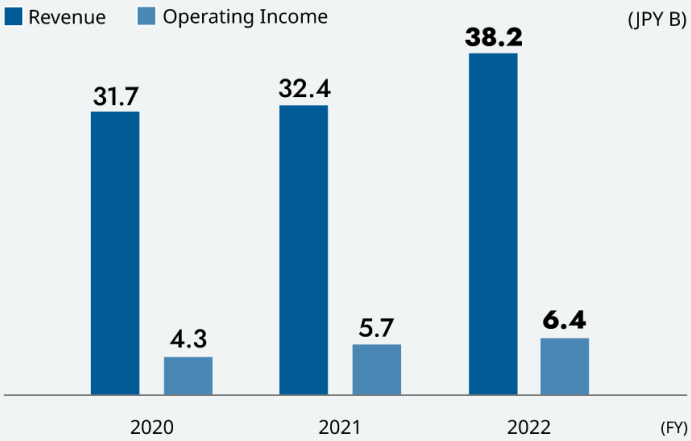


PayPay Consolidated GMV*2

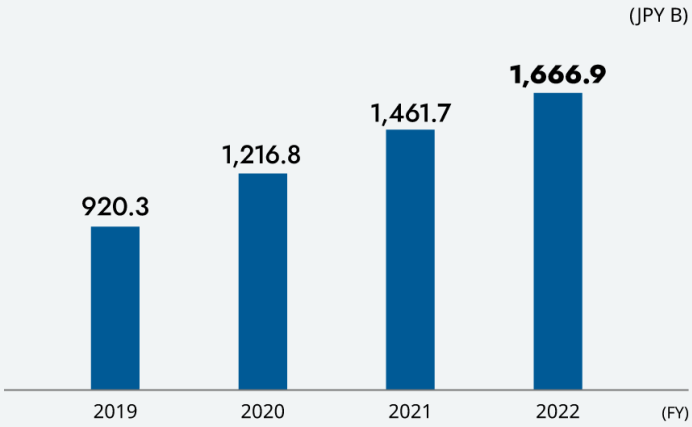
(Includes PayPay Card)



PayPay Bank Revenue/Operating Income*3



PayPay Bank Deposit Balance



*1 Consolidated the financial statements of PayPay Card Corporation from the beginning of FY2021, due to the application of pooling of interest method. Figures after elimination of internal transactions between PayPay Corporation and PayPay Card Corporation. EBITDA is operating income plus depreciation and amortization only, and differs from the adjusted EBITDA of LY Corporation. Unaudited.

*2 Consolidated GMV including PayPay Card's transaction volume from the beginning of FY2021. Excludes PayPay Credit (formerly Atobarai, deferred payment) and overlap for topping up PayPay Balance using PayPay Card and PayPay Card Gold.

*3 Independently calculated by making relevant IFRS adjustments from non-consolidated figures under JGAAP.

Priority Initiatives in FY2023

In FY2023, we expect to see a revenue increase in the Strategic Business segment due to the contribution to full-year performance by PayPay Corporation, which we consolidated in October 2022, and an expected increase in GMVs at PayPay Corporation and PayPay Card Corporation.

As for adjusted EBITDA, we are projecting a loss of JPY25.5 billion, an improvement of JPY18.1 billion from the previous fiscal year. We expect reduced losses at PayPay Corporation due to revenue increase and profitability improvement. At the same time, we forecast an increase in profit for PayPay-related financial services associated with a rise in revenue. For LINE-related financial services, we will work to reduce losses through cost optimization and selective focus in key businesses.

In June 2023, we reached an agreement with Nomura Holdings, Inc. on the business restructuring involving the transfer of the securities business of LINE Securities Corporation to Nomura Securities Co., Ltd. within 2024.

Sustainability Initiatives

Regional Economy Revitalization Support

As a payment service that can be used at over 2.35 million locations* across Japan, ranging from local stores to major chains, PayPay is working to boost regional economies throughout Japan through various campaigns launched in collaboration with local governments. In addition, local governments can use PayPay instead of issuing and redeeming gift certificates and other items used to boost local economic and community activities. There are many advantages for both local governments and users, including the fact that gift certificates can be purchased without visiting the locations concerned.

* Number of merchant locations where "PayPay" is available as of March 2023.

→ More details (Japanese only)

Online Medical Consultation Service

LINE Doctor is an online service that allows patients to book medical appointments, speak with a doctor over free video call, and make payments for consultations all on the LINE app. In December 2022, LINE Doctor launched a prescription drug delivery service, making it possible to offer a one-stop service from a doctor's examination to the prescription and delivery arrangement of drugs. In March 2023, LINE Doctor began an online medication instruction service in collaboration with a major dispensing pharmacy to make the service available to more people. LINE Doctor will continue promoting and spreading online medical consultation and medication instruction services in Japan to create an environment in which users can choose the optimal form of care by contributing to the alleviation of a healthcare crunch and medical disparity.

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

→ Nationwide Prescription Drug Delivery Service Begins Today (Japanese only)

→ Commencement of Online Medication Instruction Service in Collaboration with Nihon Chouzai, a Nationwide Pharmacy (Japanese only)

Fintech

PayPay

PayPay is a cashless payment service with a 67%* share in Japan's QR code payment market. The service can be used just about anywhere, including major retail chains, small and medium-sized stores, vending machines, taxis, and public transport. Other popular uses for PayPay include payment for online services and utility bills. In addition to payments, PayPay is increasingly used as a convenient option for other purposes. These include commission-free remittances between individuals and an asset management service using PayPay Points. As a leading company in cashless payment services, PayPay is also working to strengthen measures against money laundering and terrorist financing by enhancing identity verification.

*Share of payment GMV: Calculated by the Company based on the 2022 total payment amount in stores from STATS – CODE PAYMENT (March 3, 2023) released by Payments Japan Association.

PayPay Card

PayPay Card Corporation offers PayPay Credit (formerly Atobarai, deferred payment), which allows users to make payments without topping up their PayPay Balance on their PayPay app in advance, and PayPay Card, a credit card with lifetime annual fee waivers that can be used at PayPay merchants and stores that accept credit cards. In November 2022, the company launched PayPay Card Gold, a credit card with annual membership charges that offer special benefits when shopping at Yahoo! JAPAN Shopping and paying SoftBank and Y!mobile communication fees.

PayPay Bank

PayPay Bank Corporation is a pure Internet bank that delivers value and convenience through the Internet and smartphone app. PayPay Bank offers many services made possible by its characteristics as a bank that operates exclusively via the Internet, such as online transfers and other types of payments that can be processed from customers' homes or offices without the need to go to a branch office or an ATM.

PayPay Securities

PayPay Securities Corporation*, a securities company operating exclusively via smartphone, offers services encouraging inexperienced investors to take their first step in asset management. The company aims to achieve top-of-mind awareness in asset management through its original PayPay Securities app, which allows users to trade shares in Japanese and U.S. companies and mutual funds from JPY1,000, and the PayPay Asset Management mini app, which enables securities to be purchased from JPY100 on the PayPay app.

* PayPay Securities Corporation is a consolidated subsidiary of SoftBank Corp.

PayPay Insurance

PayPay Insurance is an insurance service provided by PayPay Insurance Service Corporation. Its primary products are "scenario insurance," which can be purchased at Yahoo! JAPAN services, and the PayPay Insurance mini app, which can be easily subscribed from PayPay app.

LINE Pay

Easily accessible through LINE, one of Japan's biggest communication apps, LINE Pay is a convenient mobile remittance and payment service with a variety of useful money-related functions. These include cash transfers with LINE friends, sharing a restaurant bill, and the LINE Pay Kantan Sokin (easy remittance) service, which enables funds to be transferred from companies to individuals any time of the day and year. LINE Pay also accommodates various payment methods, such as touch payment and a BNPL service. The start of collaboration with PayPay in 2021 has enabled LINE Pay users to make payments not only at LINE Pay merchants but also at PayPay merchants.

LINE Pocket Money

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

Other

LINE NFT

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

LINE Doctor

LINE Doctor is a one-stop service that allows patients to book medical appointments, speak with a doctor over free video call, and make payments for consultations all on the LINE app. Any LINE user can use this service without the need to download an additional app. Subject to certain conditions, a person who feels unwell can contact a physician through LINE and obtain medical advice.

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