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# Value Creation Process



## MISSION

**Create an amazing life platform that brings WOW! to our users**

**External Environment**

- Low birthrate and aging population
- Declining working population
- Work style reform
- Digital transformation
- Rapid progress of generative AI
- Advent of 5G
- Uncertain international situation
- Economic growth in Asia
- Climate change

### Sources for Value Creation (Inputs)

**Human Capital**
- Group employees 27,003 (as of March 31, 2025)
- Total hours spent on capacity building training Approx. 1.01 million hours

**Financial Capital**
AA- (JCR), A+ (R&I)
- Financial Statement Historical Data
- Consolidated Statements of Financial Position
- Consolidated Statements of Income

**User Base**
Cumulative no. of users of the Group 320 million

**Intellectual Capital**
- Cumulative no. of registered patents 4,482 (as of March 31, 2025)
- Technology base, global development capabilities

**Diverse Business Portfolio**
No. of services provided in Japan Over 200
104 subsidiaries and 38 affiliates
- Business portfolio

**Natural Capital**
Total energy consumption 2,116,327 GJ (FY2024)
Total water withdrawal 597,472 m³ (FY2024)
- ESG Data

### Key Issues for Management (Materiality)

- Delivering Amazing WOW! Experiences Through Data & AI
- Operating Safe & Secure Digital Platforms
- Addressing Disasters and the Digital Divide
- Establishing Governance to Support Sustainable Growth
- Maximizing Human Capital Value
- Fulfilling Environmental Responsibilities for Future Generations

- Material Topics

### Three Core Assets

| Communication | Information | Payments |
|---|---|---|
| LINE | YAHOO! JAPAN | PayPay |
| Usage rate of social media | Portal site | Code-based payment service |
| No. 1 in Japan | No. 1 in Japan | No. 1 in Japan*2 |
| Monthly active users Over 98 million | Average monthly users*1 Over 83 million | Registered users Over 71 million (as of September 2025) |

### Business Activities / Outputs

**Media Business**
- Advertising
- Web Portal
- Messaging
- News
- Local
- Membership

**Commerce Business**
- Shopping
- Reuse
- Travel

**Strategic Business**
- Payment
- Credit card
- Bank

### Value to Be Created (Outcomes)

- Adjusted EBITDA JPY 470.8 billion
- Adjusted EPS JPY 24.9

**Social Value Creation**
- Delivering convenient and inspiring user experiences
- Providing reliable life infrastructure
- Disaster preparedness, mitigation, and recovery support and pandemic response
- Bridging the digital divide through IT literacy education
- Realizing a circular economy through reuse initiatives
- Using the power of IT to realize a low-carbon society
- Carbon neutrality by 2030 / Net zero by 2050
- 10% reduction in water consumption by FY2030 (vs. FY2022)

**Enhancing Corporate Value**
- Developing and reinforcing human capital that creates diverse value
- Improvement of employee well-being

Customers
Partners
National and local governments
Employees
Regional communities
Shareholders and other investors

**Foundations Supporting Business Activities**
Corporate Governance | Privacy & Security | Human Capital | Risk Management | Compliance | Internal Controls

*1 Nielsen Digital Co., Ltd. "TOPS OF 2024: DIGITAL IN JAPAN" *2 Aggregation of the ratio of "PayPay" in the disclosure materials of the Cashless Promotion Council (Code Payment Usage Trend Survey, published March 14, 2025), calculated by PayPay

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# Revision of Material Topics



We have defined our material topics as a guiding framework for creating future value by responding to a constantly evolving social and technological landscape. Leveraging our diverse touchpoints with users, we aim to achieve sustainable growth and solve social issues.

## View on material topics and their revision

LY Corporation strives to stay close to users and drive positive changes in society under its mission to "Create an amazing life platform that brings WOW! to our users." To realize this mission, we recognize the importance of viewing both social issues and our own management challenges as opportunities to create new value. The material topics serve as a guiding framework for meeting social expectations while achieving medium- to long-term growth, balancing risk mitigation with the generation of new opportunities.

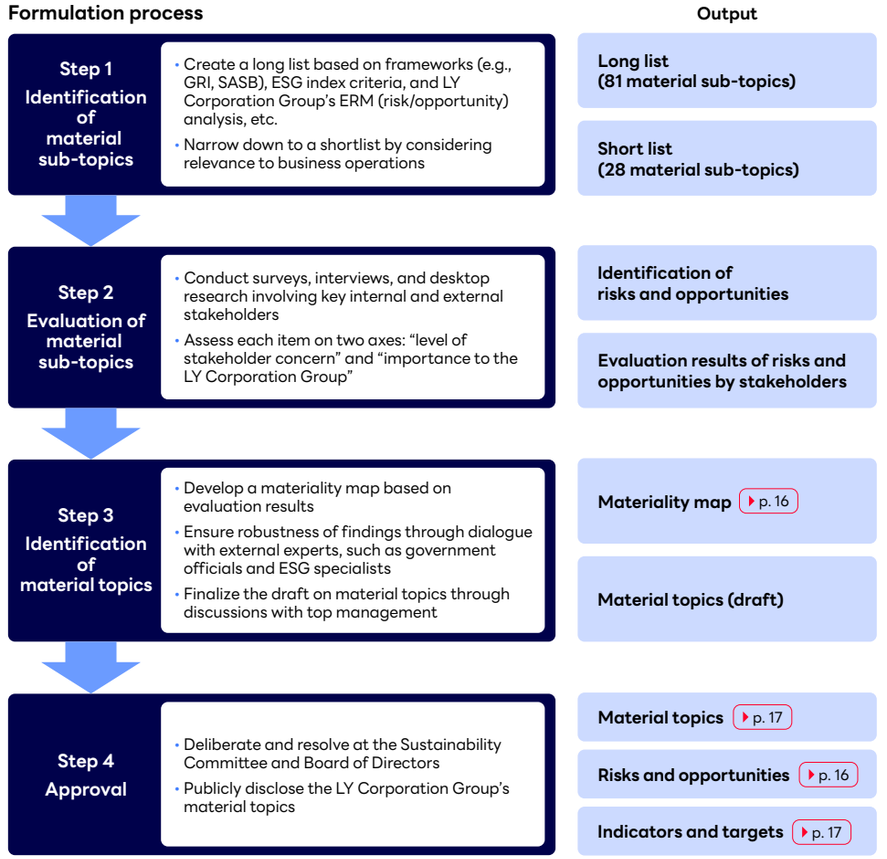
We began reviewing our material topics in FY2024 following the intra-Group reorganization. In September 2025, we updated these topics in response to rapid social and business changes, including accelerated technological innovation such as generative AI, heightened concerns over climate change and information security, and increased uncertainty. Through a review of its business portfolio, we optimized the allocation of our management resources, identifying our broad user touchpoints across services such as search, messaging, commerce, and financial services as core strengths. Leveraging these touchpoints, which play an integral role in users' daily lives, we developed our material topics to deliver sustainable value to society, building a new corporate culture that inherits the values fostered by LINE Corporation and Yahoo Japan Corporation. We recognize that we must not only adapt to medium- to long-term societal shifts—such as rapid AI advancement and climate change—but also take a leading role in addressing them. As a platform operator with diverse user touchpoints, we aim to contribute to both a sustainable society and corporate growth by identifying material topics that reflect these social and environmental challenges from a medium- to long-term perspective.

## Material topics formulation process

To ensure a proactive response to social issues and the sustainable enhancement of enterprise value, we systematically identify material topics at the Group-wide level. This process is grounded in an analysis of risks and opportunities based on social expectations and the Group's ERM framework. We consider how social and environmental changes affect our business and how our activities impact society and the environment—across short-, medium-, and long-term horizons—to determine priority topics.

The evaluation process incorporates feedback from executives, business unit leaders, Group companies, and stakeholders such as customers, partners, and employees. It also includes desktop research and multifaceted input from government officials and ESG experts. To ensure objectivity and transparency in the identification and disclosure process, we refer to international reporting standards, including those established by the GRI, SASB, and others.

The identified material topics are integrated into management through discussions by the Sustainability Committee and approval and oversight by the Board of Directors, and they are regularly reviewed to reflect changes in society and business.



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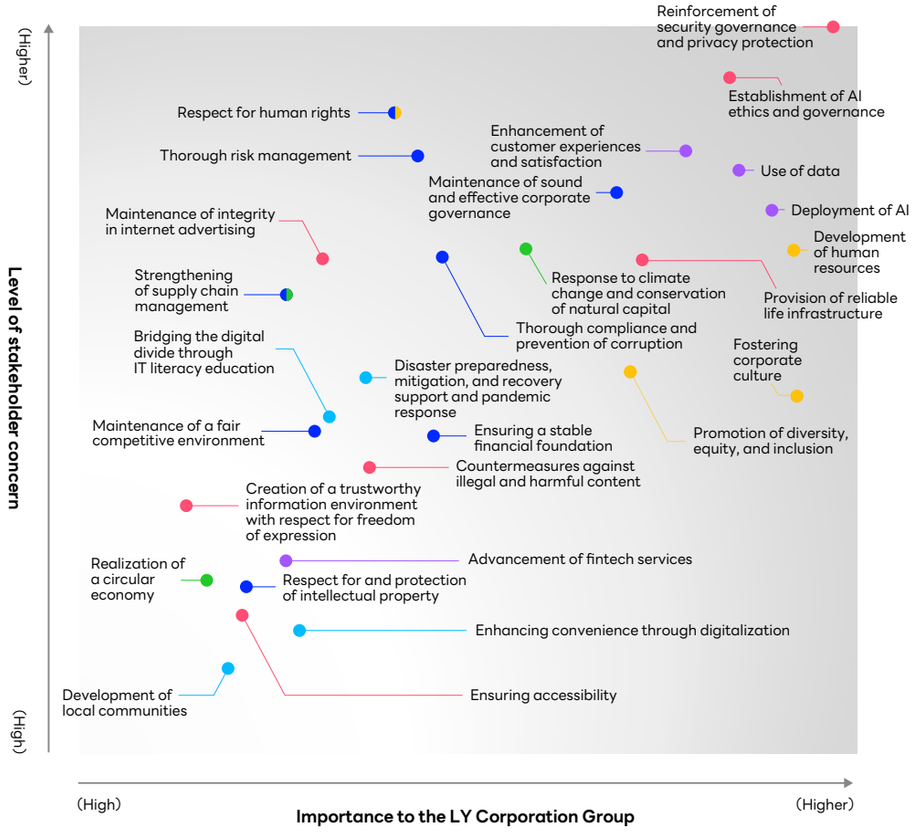
# Material Topics—Risks and Opportunities



When creating the materiality map, the impact on enterprise value is assessed from both quantitative and qualitative perspectives, based on the relative significance of identified risks and opportunities. The identified material sub-topics are then mapped using two evaluation axes: “level of stakeholder concern” and “importance to the LY Corporation Group.” The assessment considers the scale of impact on stakeholders, the financial impact on the LY Corporation Group, and the likelihood of those impacts occurring.

## Materiality map




## Delivering Amazing WOW! Experiences Through Data & AI

**Risks**

- Loss of public trust and user attrition resulting from improper use or management of data and AI
- Decline in competitiveness and customer base due to delays or quality issues in new service development, insufficient improvement of existing services, ineffective use of AI, or poor market acceptance of new or existing services

**Opportunities**

- Expansion of the customer base, increased market share, and enhanced competitiveness through service personalization and sophistication driven by AI and data
- Improved labor productivity through AI-driven operations, cost optimization through product integration, and accelerated business growth and innovation

## Operating Safe & Secure Digital Platforms

**Risks**

- Loss of social trust and user disengagement due to deficiencies, inappropriate responses, or legal violations related to security, privacy, AI, advertising, or infrastructure
- Increased operational costs arising from responses to security incidents or service outages

**Opportunities**

- Enhanced brand value and stabilized revenue opportunities through strengthened security governance and AI/data risk management that fosters trust
- Sustained customer relationships and revenue opportunities through enhanced brand value built on ethical and socially responsible practices

## Addressing Disasters and the Digital Divide

**Risks**

- Decline in public trust due to inadequate disaster preparedness, insufficient support—including user support—during disasters or pandemics, and a lack of commitment to nurturing the next generation of talent in the IT and media sectors

**Opportunities**

- Development of new services and customer acquisition through disaster preparedness and support for disaster and pandemic response
- Enhanced social presence and reputation through support for next-generation talent development

## Establishing Governance to Support Sustainable Growth

**Risks**

- Impeded growth and reputational decline due to ineffective or non-transparent governance, weak compliance and risk management, or lack of accountability in these areas
- Loss of business continuity and erosion of social trust and stability due to deficiencies in risk management systems

**Opportunities**

- Greater stakeholder trust and expanded funding opportunities achieved through an effective and transparent governance structure, along with a strong commitment to compliance and respect for human rights
- Increased enterprise value and social trust through robust risk response and stable business continuity
- Competitive advantage and market position gained through swift decision-making and strong compliance practices

## Maximizing Human Capital Value

**Risks**

- Loss of opportunities for new business development and growth, along with rising costs, due to insufficient efforts to support talent development
- Decline in employee motivation and performance stemming from a deteriorating work environment and diminished engagement
- Reputational damage and disruption to supply chain partnerships caused by neglect of human rights or improper labor practices

**Opportunities**

- Maximized performance and accelerated innovation through a culture and capability development framework that empowers employees to learn, take initiative, and grow through hands-on experience
- Enhanced corporate appeal by building a strong reputation as a workplace where individuals can maximize their growth and potential—thereby attracting top talent
- Promotion of employee psychological safety, supply chain stability, and social trust through ethical and transparent human capital management

## Fulfilling Environmental Responsibilities for Future Generations

**Risks**

- Decline in competitiveness due to loss of social trust and weakened stakeholder relationships stemming from delayed or insufficient responses to environmental issues
- Increased BCP-related and regulatory compliance costs due to climate change, along with negative impacts on business continuity from emerging water resource risks

**Opportunities**

- Strengthened trust with customers and partners and expanded revenue opportunities through advanced environmental initiatives such as green data centers, renewable energy adoption, and biodiversity conservation
- Enhanced business continuity, supply chain stability, and corporate reputation through proactive adaptation to climate and natural capital risks
- Improved operational efficiency through cost optimization and expanded access to green financing driven by environmentally conscious management

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# Material Topics—Indicators and Targets



Through our materiality initiatives, we aim to fulfill the mission of LY Corporation, to "Create an amazing life platform that brings WOW! to our users." To this end, we identify risks and opportunities, set indicators and targets, and monitor progress on an ongoing basis from both quantitative and qualitative perspectives. The scope of these indicators and targets may apply to the LY Corporation Group or LY Corporation alone, with achievement timelines set individually based on the progress of each topic.

| New Material Topics | Explanation | Indicators | Targets | FY2024 Results | Related Pages |
|---|---|---|---|---|---|
| Delivering Amazing WOW! Experiences Through Data & AI | The Group aims to enrich people's lives and society by providing life platforms that deliver personalized services and high-quality user experiences through the use of generative AI, data, and other information technologies. | **LINE MAU/Population**<br>Calculated by dividing the number of users who have activated LINE with a valid account within each month by the total population (in Japan) | 75% or more | 79.4% | p. 25 Media Business<br>p. 27 Commerce Business<br>p. 29 Strategic Business |
| | | **Yahoo! JAPAN DUB**<br>The number of browsers used to access Yahoo! JAPAN services. If both the browser and the app on a smartphone are used, they are counted as duplicates. | 110 million or more | 108 million | |
| Operating Safe & Secure Digital Platforms | The Group is committed to building and operating safe and secure digital platforms that ensure security, privacy, and fairness, creating an environment where everyone can securely access reliable, safe, and fair information every day. | **Number of critical security incidents**<br>Critical cases at LY Corporation involving inquiries or administrative guidance from regulatory authorities | 0 | 1 | p. 56 CISO Message |
| Addressing Disasters and the Digital Divide | The Group will contribute to an inclusive society where everyone can access information and services at any time through digital technology, by working with diverse public and private partners to respond to disasters and bridge the digital divide through IT literacy education. | **Population coverage rate through disaster agreements with local governments**<br>Calculated as the total population of municipalities that have signed disaster agreements with LY Corporation, divided by the total population | 95% or more | 98.6% | p. 44 Sustainability Corporate Officer Message |
| | | **Number of municipalities with LINE Official Accounts**<br>Number of municipalities that have launched and are managing a LINE official account under the special municipal plan | 1,788 by 2030 | 1,500 or more | |
| Establishing Governance to Support Sustainable Growth | The Group strives to build a corporate foundation that earns the trust of society and enables continuous business growth by developing a governance framework that emphasizes both effectiveness and transparency and by ensuring thorough compliance and risk management. | **Board effectiveness assessment results (conducted once a year)**<br>The evaluation was conducted through interviews and questionnaires administered to LY Corporation's directors, with the effectiveness results assessed by the Board | Rating confirming the board's effectiveness | Assessed as maintaining effectiveness | p. 50 Corporate Governance System |
| | | **Completion rate of e-learnings on compliance issues**<br>Data reflects annual training performance compiled from LY Corporation and its subsidiaries that outsource their training programs to LY Corporation, including information on training topics, intended audiences, and number of participants | 90% or more | 98% | p. 53 Board Effectiveness Evaluation |
| Maximizing Human Capital Value | The Group aims to enhance human capital value by strengthening talent and fostering corporate culture, creating a foundation for individual growth through continuous challenges, and developing an environment rooted in understanding and respect for diversity to maximize both individual and organizational performance. | **Changes in items related to "growth support," "environment," and "philosophy strategy" in the engagement survey**<br>Group-wide year-on-year performance in the engagement survey categories of growth support, environment, and philosophy strategy is evaluated using a three-point scale: improvement, maintenance, or no improvement | Maintain or improve compared to previous fiscal year | (Results will be collected from FY2025) | p. 40 Enhancement of Human Capital |
| | | **Ratio of females in managerial positions**<br>Figure as of March 31, 2025, for LY Corporation managerial positions mean managers, senior managers, general managers, senior general managers, and heads of in-house companies and groups | By 2030, same level as the gender composition of entire employees (33%) | 19% | |
| Fulfilling Environmental Responsibilities for Future Generations | Through the adoption of renewable energy, construction of next-generation data centers, and provision of eco-friendly products, the Group works to address climate change, conserve natural capital, and promote resource circulation through its businesses and services, contributing to a sustainable planet where future generations can thrive. | **Scope 1, 2, & 3 GHG emissions**<br>•Scope 1: GHG emissions generated directly by the Company (e.g., fuel combustion)<br>•Scope 2: GHG emissions generated indirectly by the Company (e.g., use of electricity supplied by other companies); calculated based on the market-based method<br>•Scope 3: GHG emissions from activities such as raw material procurement and post-sale processes | Virtually net-zero by FY2025 (Scope 1 & 2)<br>*LY Corporation (non-consolidated) | 8,400 ($mtCO_2e$) | p. 47 Environmental Effort for Future Generations |
| | | | Virtually net-zero by FY2030 (Scope 1 & 2) | 19,689 ($mtCO_2e$) | |
| | | | Virtually net-zero by FY2050 (Scope 1, 2 & 3) | 4,004,124 ($mtCO_2e$) | |
| | | **Water consumption (per JPY 1 million in revenue)** | Reduce by 10% from FY2022 levels by FY2030 | 0.312 ($m^3$/JPY MM) | |

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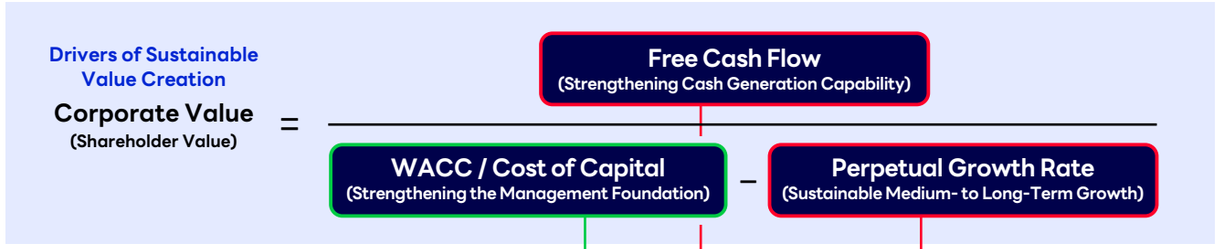
# Growth Strategy

To enhance our group's corporate value, it is essential to minimize risks and to strengthen our cash generation capability and non-financial capital to enable sustainable growth. We possess a broad range of strong assets, and by integrating AI agents into services such as LINE and Yahoo! JAPAN, we aim to drive greater user traffic to our existing businesses, create multiple monetization opportunities, and differentiate ourselves in the market. We will also leverage the resulting data to deepen our understanding of users and deliver services with improved accuracy and recommendation capabilities, creating experiences that bring "WOW!" to our users and enhance daily convenience.

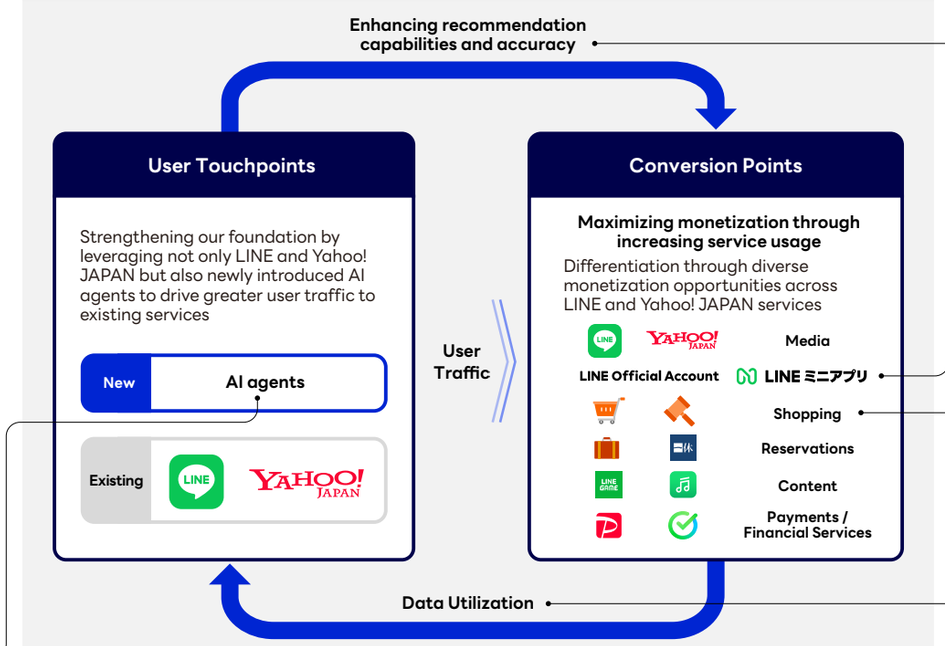



## WACC / Cost of Capital

- **Financial Capital:** Driving sustained growth in adjusted EBITDA and EPS over the next three years, while improving management efficiency
  p. 19 CFO Message
- **Human Capital:** Fostering and developing AI talent, and building a supportive environment for employee growth
  p. 40 Enhancement of Human Capital
  p. 37 Generative AI Executive Message
  p. 42 Feature: Employee Roundtable
- **Technological Capital:** Implementing data strategies and data governance frameworks optimized for the generative AI era
  p. 39 CDO Message
- **Environmental and Social Capital:** Becoming a trusted platform for daily life and generating positive social impact
  p. 44 Sustainability Corporate Officer Message
- **Corporate Governance:** Accelerating our AI agent strategy with well-balanced offensive and defensive governance to unlock new growth
  p. 10 Feature: Roundtable with Outside Directors
- **Security:** Transforming security operations across the Group
  p. 56 CISO Message

Identifying shifts in user behavior and pursuing optimal solutions p. 33 CPO Message

## Free Cash Flow and Perpetual Growth Rate




Leveraging accumulated data to better understand users and make optimal recommendations
p. 39 CDO Message

Strengthening conversion points and driving revenue growth through initiatives centered on LINE Official Accounts and MINI Apps
p. 36 Evolution of LINE App

Investing in marketing for the reuse business and improving service quality, as conversion-based billing is expected to become a key monetization method and major revenue source
p. 19 CFO Message

Promoting cross-service usage and driving greater service usage through expanding the ecosystem, aiming to deepen user understanding
p. 31 Feature: Cross-Use and Ecosystem Growth

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# Message from the CFO

## Ryosuke Sakaue

Executive Corporate Officer,
CFO (Chief Financial Officer)

Drive EPS maximization through disciplined FCF allocation and active business portfolio management.

## Enhancing corporate value

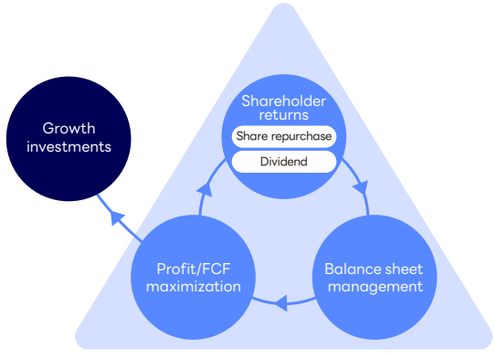
We place great importance on dialogue with our shareholders and investors. In FY2024, we conducted over 500 meetings, with the IR division taking a leading role. Feedback received through these engagements is shared with the Board of Directors, and the IR division regularly discusses updates to disclosure materials and improvements to IR activities with the CFO on a weekly basis, the CEO on a monthly basis, and outside directors on a quarterly basis. In response to market feedback, we also restructured our integrated report to follow the Enterprise Value Formula presented on p. 18, improving the clarity of our value creation initiatives. By clearly demonstrating the linkage between our strategic direction and capital policy, we aim to achieve sustainable enhancement of corporate value.

As a basic approach to our capital policy, we aim to improve capital efficiency by balancing four key priorities: profit and free cash flow (FCF) maximization, growth investment, balance sheet management, and shareholder returns. While continuing to invest in growth areas such as AI agents, we will actively pursue both FCF maximization and shareholder returns to drive sustainable corporate value creation.

In FY2024, our adjusted ROE was 6.1%, exceeding our internally estimated cost of equity of 4.6%. While it is difficult to materially improve adjusted ROE in the short-term given the structural headwind of increased capital surplus from the share issuance at the time of the business integration with LINE, we aim to steadily widen the positive spread between adjusted ROE and the cost of equity by maximizing profits, optimizing the balance sheet, and strengthening shareholder returns.

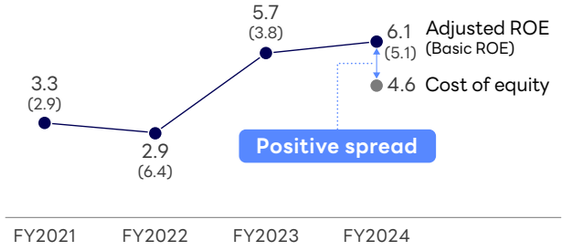
### Our approach to capital policy

- Share repurchases
- Stable dividends aligned with **profit growth**
- Aim for **a cumulative total payout ratio of 70% or more** in the next 5 years




- Deliver stable annual growth of **high single digits or more** (next 3 years) in both adjusted EBITDA and adjusted EPS
- Equity-method affiliates **to achieve quarterly profitability by FY2025, maintaining profit growth thereafter**
- Achieve appropriate size and mix of capital and debt **through share repurchases and stable dividends**
- Maintain **a net leverage ratio (excluding financial business) of 3x or less** (1.61x as of FY2024 Q4)

**Adjusted ROE** (%)




## Cash flow creation initiatives

In FY2024, we generated approximately JPY 14.0 billion in FCF, driven mainly by higher operating cash flow resulting from an increase in profit before tax and

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in operating liabilities and other payables. (Excluding financial business, FCF totaled JPY 236.2 billion.) Although we have decided not to disclose specific medium-term targets due to rapid industry changes—particularly major shifts in the generative AI landscape over the past year, which causes our planning assumptions to evolve—we aim to deliver stable growth of at least the high single digits annually in both adjusted EBITDA and EPS from FY2025 onward. To that end, we will expand revenue from LINE Official Accounts, including LINE MINI Apps, and accelerate the transformation of our financial services into a digital financial platform centered on PayPay, which is preparing for a public listing. We will also continue to evaluate optimization of our ownership stakes in subsidiaries.

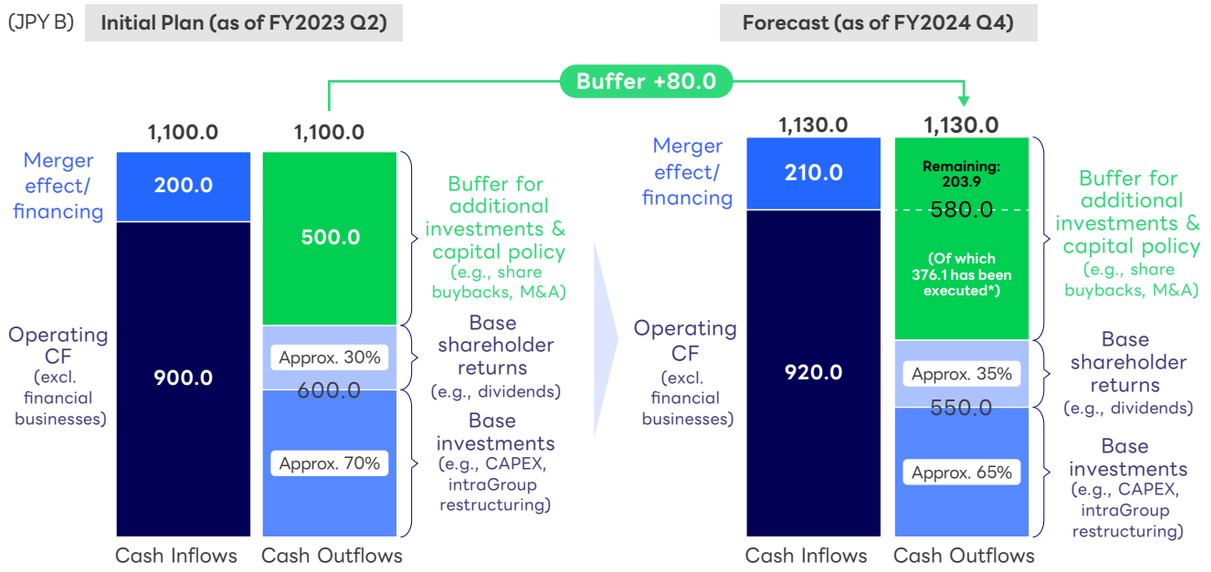
## Capital allocation

In FY2023 Q2, in response to investor feedback, we disclosed an estimated cumulative total for our capital allocation policy (excluding the financial business) over the three-year period starting from FY2023. Cash inflows are tracking above plan on higher operating cash flow, while base investments have been held below initial assumptions. As a result, the buffer for additional investments and capital policy—primarily for share repurchases and M&A—has increased by approximately JPY 80.0 billion. We intend to actively utilize this buffer (including the increased portion) for share repurchases and growth-oriented M&A to enhance shareholder returns and capital efficiency, while keeping a net leverage ratio of 3x or less for our non-financial businesses to maintain our credit rating.

## Balance sheet management

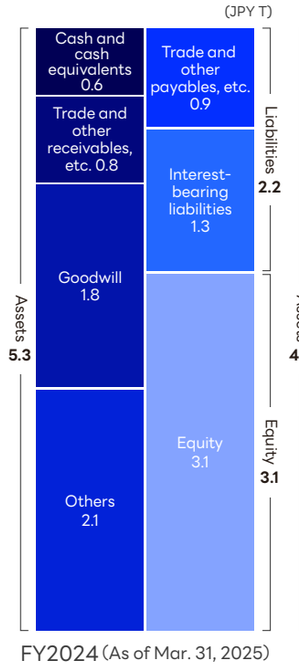
With respect to our consolidated balance sheet, we will achieve an appropriate size and mix of capital and liabilities through share repurchases and stable

**Capital Allocation Policy (Cumulative Approximate Value for FY2023-2025/Excluding Financial Business)**

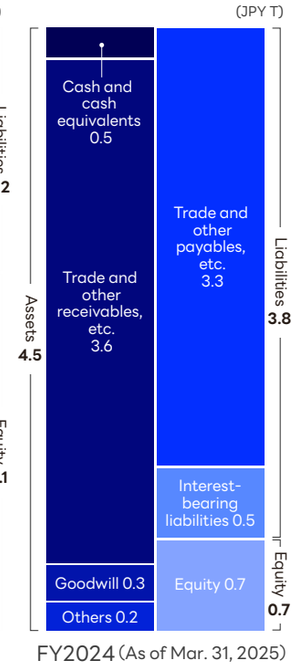



*Share buyback: JPY 150.0 billion; acquisition of BEENOS shares: JPY 54.0 billion. (planned)

**Balance Sheets (Excluding Financial Business)**




**Balance Sheets (Financial Business)**




*The financial business includes PayPay Corporation, PayPay Card Corporation, the financial subsidiaries of Z Financial Corporation, such as PayPay Bank Corporation, and financial subsidiaries of LINE Financial Plus Corporation.

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dividends. We aim to improve both PBR and ROE by reducing outstanding shares through buybacks and cancellations, while also growing profit through business expansion.

In our financial business, we are actively leveraging asset-backed financing to diversify fund sources and move toward a self-funding model. The credit card business secures funding through the securitization of receivables, which totaled approximately JPY 125.0 billion as of March 31, 2025. Going forward, we plan to improve our capital adequacy ratio, particularly in the banking business.

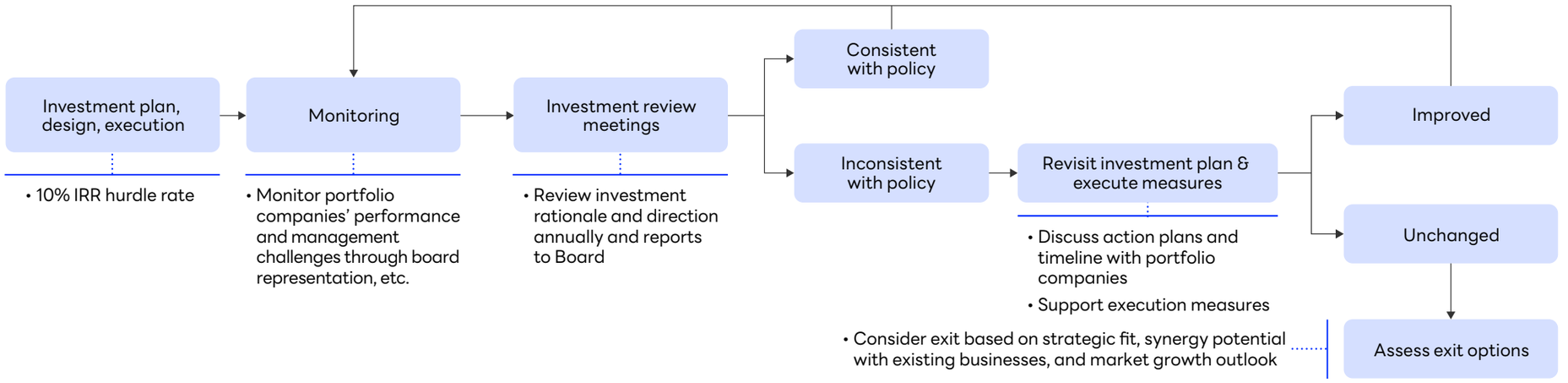
## Investment policy

For medium- to long-term growth, we will begin the full-scale introduction of AI agents into our user-facing services in FY2025. In the age of AI agents, we believe our strength lies in our ability to guide users seamlessly to their end goals—grounded in a deep understanding of user needs enabled by our diverse conversion points, local content, and data. To fully leverage this strength, we will enhance our conversion capabilities—particularly in commerce—and improve our services to ensure users choose them. In FY2025, factoring in the expansion of our cross-border e-commerce operations as BEENOS becomes a consolidated subsidiary, we plan to focus on the Reuse business and allocate approximately JPY 10.0 billion for sales promotion in this area. As for direct investments related to generative AI, we plan to invest approximately JPY 10.0 billion in license fees, on the premise of openly adopting third-party LLMs. The introduction of AI agents to our services will be carried out using existing in-house resources, and no incremental hiring is planned. Regarding M&A, we will continue to target No. 1 or unique companies in areas where we can expect synergies with our existing businesses, applying an IRR hurdle rate of 10%.

## Portfolio management

In order to maximize net income and EPS, we recognize the need to further optimize our business portfolio. We have segmented our existing businesses into approximately 100 services, each of which is managed based on KPIs and P&L performance. We plot each service on a matrix using two axes: actual contribution profit and year-on-year gross profit growth. Based on this positioning and alignment with our overall business strategy, we implement actions according to each quadrant. Looking ahead, as AI agents progress and users gravitate to No. 1 services, we will allocate investment with clearer focus to increase the number of category leaders. We also hold regular review meetings to evaluate our investment holdings, assessing the strategic rationale for each investee and discussing its future direction. In recent years, prompted by the intra-group reorganization between LINE and Z Holdings, we have

**Investment Portfolio**



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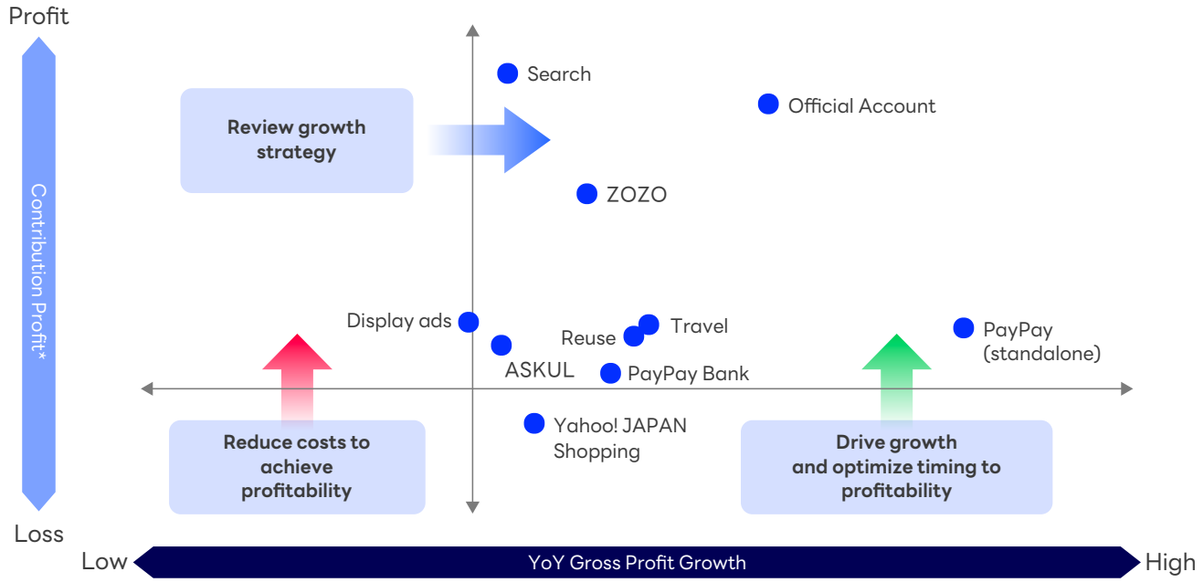
reallocated management resources and strategically focused on selected businesses. This has included consolidating our video-related businesses and streamlining overlapping operations in our financial business through divestitures and exits where appropriate. We will continue to pursue profitability improvements by evaluating all businesses, including equity-method affiliates, and will consider exiting or divesting businesses that are not expected to reach profitability within a target time frame.

## Cumulative total payout ratio and dividend policy

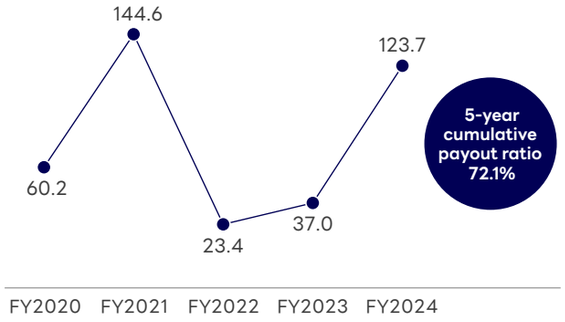
As a publicly listed company, LY Corporation considers it a core responsibility to sustainably enhance corporate value over the medium- to long-term while also returning profits to shareholders and investors through stable dividends and share repurchases. In FY2024, we executed a share repurchase of around JPY 150.0 billion to maintain our listing on the Prime Market and raised our dividend per share from JPY 5.56 to JPY 7.00. These actions reflect our commitment to achieving a cumulative total payout ratio of 70% or more over the five-year period from FY2025 to FY2029. We will continue to provide stable dividends while also considering further increases in line with net income growth, and we will carry out share repurchases at appropriate times to improve capital efficiency, including ROE.

**Portfolio Management Matrix**




*Contribution profit = Revenue - Variable costs - Direct fixed costs

**Total Payout Ratio*** (%)




*Total Payout Ratio = (Total dividends + total share buyback amount)/ Net income attributable to owners of the parent

## Sustainability initiatives

The LY Corporation Group promotes sustainability initiatives through its business activities, aiming to build a sustainable society and address social issues, while creating a future of mutual growth and prosperity with all stakeholders. To contribute to solving a wide range of societal issues through its operations, we have identified six material topics, for which we monitor progress on related indicators. Among these, we have positioned “Maximizing Human Capital Value” as a future key challenge.

Visit our website for more details