Message from the CEO

Last updated: 10/1/2024

As an operator of platforms that are now an essential part of society, we aim to strengthen our security and product infrastructure to achieve new and sustainable growth.

Takeshi Idezawa
President and Representative Director, CEO

We reorganized the Group to speed up decision-making, swiftly implement a selective focus on key business areas, and introduce new services.

It has been nearly a year since the birth of LY Corporation on October 1, 2023. Although it required a tremendous amount of work to reorganize five companies into one, I believe that we were able to overcome a major hurdle as employees went above and beyond their positions to cooperate with each other from the preparation stage. The integration of businesses and organizations after the intra-Group reorganization is progressing smoothly, and we have achieved the highest performance to date in the previous fiscal year.

The greatest effect of the intra-Group reorganization has been the increased speed of management. Previously, LINE Corporation, Yahoo Japan Corporation, and Z Holdings Corporation existed as individual companies, but now that we have become a single company, the speed of decision-making has significantly increased. Under this simple management system, we have been able to accelerate our selective focus on key business areas and promptly introduce new services such as LYP Premium.

In fact, from January to March 2024, we conducted a large-scale campaign to acquire new subscribers for LYP Premium and have significantly increased the membership base as a result. Above all, we believe that being able to confirm the effect of collaboration between services, such as seeing LINE users use Yahoo! JAPAN Shopping for the first time after subscribing to LYP Premium, is a very significant achievement.

Another major change that occurred after the intra-Group reorganization is the product evaluation system. In the past, both LINE Corporation and Yahoo Japan Corporation evaluated performance in relatively large business or service units. However, under the new system, there is a person in charge for each small product unit, and the growth and profitability of each product are monitored and evaluated.

In this way, after the intra-Group reorganization, our company's management has picked up speed, and various results are already beginning to appear. However, if we were to compare the future we envisioned during the business integration with the mountain summit, we have only reached the second or third station, and both products and the management system need to be further updated significantly.

As a step in this process, while maintaining telework as our main work style, we have integrated the main offices of LINE Corporation and Yahoo Japan Corporation in Tokyo into one location this July. Not only have we become part of the same company, but the physical distance between employees has become closer, which is expected to make service collaboration and the development of new products proceed more smoothly. In addition, we will continue to promote initiatives such as establishing systems to support the physical and mental health of employees so that they can perform at their best, and create a workplace that supports the success of diverse employees. Through various measures to promote internal communication, we aim to foster a corporate culture where employees with diverse skills and backgrounds come together to create new value.

As a platform operator, we will provide robust security and ensure safety and security for all users.

Taking advantage of the intra-Group reorganization, we are planning to create new services with a greater sense of speed than ever before. However, I am deeply ashamed that we had caused a security incident to occur due to unauthorized access right when we were about to make a fresh start, and I sincerely apologize to all our stakeholders. As an operator of platforms that handles data from over 100 million users, I

recognize that it is my urgent duty to build a stronger security foundation to ensure the safety and security of all our users.

A major issue that was behind this incident is that security checks were insufficient for the entire system, including past legacies. To prevent recurrence, we will not only proceed with the separation of systems and networks from NAVER Corporation, but also implement measures such as reducing or terminating consignment relationships and strengthening safety management measures.

→ Information and Progress on Measures to Prevent a Recurrence of Information Leakage Due to Unauthorized Access

The world of information security is constantly changing, with new threats emerging one after another. To provide safety and security to all our users, it is important to not only prevent the recurrence of past incidents but also to quickly identify the latest security issues and establish a system that can promptly implement appropriate measures. As part of this system enhancement, we have established a Security Governance Committee that is directly under my supervision in April 2024. As the chairperson of the committee, I steer discussions on clarifying the fundamental issues and managing the progress of measures to prevent recurrence. Security issues require consideration from multiple views, including legal, technical, and business perspectives, which makes decision-making difficult. Therefore, at each meeting, members with various expertise gather to discuss important issues as long as time permits. The issues include measures to improve the overall security level of the Group, establishment of new rules and standards, termination of consignments with NAVER Corporation, and the enhancement of subcontractor management.

Continuously strengthening the corporate governance of LY Corporation, which includes the security governance measures I mentioned, is an important responsibility entrusted to me as the head of management. To this end, the first step we took was launching a new management system that separated management and business execution functions in June 2024. Specifically, Kentaro Kawabe, Chairperson of LY Corporation, and myself will take on stronger governance roles as directors. On the other hand, Jungho Shin and Taku Oketani, who resigned as directors, will focus on business and service execution as the Chief Product Officer (CPO) and Chief Strategy Officer (CSO) respectively.

Furthermore, we have changed the system so that outside directors make up the majority of the Board of Directors. This is an issue that I, as the chair of the board, have long felt was necessary, and I believe that this organizational change will enable more transparent decision-making that reflects diverse perspectives. In addition, we have welcomed Ms. Yuko Takahashi, a professional in finance and accounting with extensive experience and knowledge in global governance, as a new outside director. Going forward, we look forward to receiving multifaceted feedback and advice from Ms. Takahashi as we strive to strengthen governance and achieve business globalization.

→ Creating a Robust and Flexible Governance Unique to LY Corporation: Yuko Takahashi, Outside Director

Our company will continue to reinforce governance and speed up management by flexibly updating the management system based on environmental changes and business conditions.

We will aim to build a business ecosystem centered on LYP Premium while strengthening service gateways to achieve business growth.

We have established the foundation of service collaboration through account linkage and the introduction of LYP Premium. Therefore, we will strengthen our service gateways and connect them to service growth in FY2024.

As an additional measure to enhance the added value of LYP Premium and expand its members, we have introduced new features such as LINE Puri, which allows friends to take photos together online and in real-time, as well as multiple profile and real-time backup functions. Also, as part of strengthening service gateways, we revamped the Yahoo! JAPAN app in July 2024. We also plan to carry out a major revamping of LINE in the second half of FY2024. We redesigned the Yahoo! JAPAN app, which is one of Japan's largest portal sites, based on the changing user needs of acquiring information. As a result, we focused on providing real-time information and personalization more than ever before. For example, we have redesigned the app to better suit individual user needs by adding features such as "Trend," which allows users to keep track of the latest trending search terms, as well as "Assist" and "Follow," which focus on users' lifestyles and interests.

As for the LINE app, we will add a “Shopping” tab that leads users to a new commerce experience, as well as a “Place” tab that provides local information of an area they choose. This traffic from LINE to commerce is something that I have always wanted to do and felt was necessary, and with this new design, we are finally able to take the first step. Looking at other companies, traffic from chat to commerce is rapidly increasing among internet services in South Korea and China. We see this as an initiative with great growth potential, given the increasing use of LINE GIFT on LINE.

However, the main purpose of using LINE is messaging, so rather than searching through various items to choose a product, users will prefer to click on and purchase items that catch their eye or seem interesting while they are chatting. Therefore, we would like to devise ways, including updating the user interface, to propose products that users will like in a timely manner.

One of the aims of this redesign is to promote the use of Yahoo! JAPAN Search through both apps. Although traffic from LINE to Yahoo! JAPAN Search and search queries are already steadily increasing, the revamping of both apps will further improve the accessibility and convenience of search, and we will continue to strengthen search inflow and important query areas (commerce, local, and knowledge).

→ Growth Strategy - Media Business

Through these efforts, we aim to promote the cross-use of various services within LY Corporation and the Group and build a business ecosystem centered around LYP Premium, which will serve as the foundation for service collaboration.

→ Growth Strategy

At the same time, we plan to accelerate the global expansion of our business, which was a major objective of the business integration. The internet itself is global, and as the economic scales of various countries and regions continue to change, sustainable growth cannot be expected unless we actively engage with overseas users. We plan to continue making overseas growth investments even after the reorganization, and we are already seeing various results.

For example, in Taiwan, our local subsidiary that operates LINE Pay has been listed on the Taiwan Emerging Stock Board. The expansion of LINE users continues in the market, boasting an overwhelming share as a messenger app. In addition, LINE Pay is growing as a No. 1 mobile payment service used by one in two people in Taiwan. Furthermore, the on-demand assistant app called LINE MAN, which offers a variety of services including food delivery, grocery delivery, and taxi dispatch, is rapidly growing in Thailand. In the future, we will continue to promote the global growth of the Group by providing a wide range of services that go beyond messaging to users around the world.

→ International Business Development

By focusing on change rather than staying the same, we will continue to challenge ourselves to create new social value.

The mission of LY Corporation is to “Create an amazing life platform that brings WOW! to our users." We want to stay close to our users and make their daily lives more enjoyable and convenient through new technical approaches. In this way, not only do we think from a business perspective, but we always have our users in mind. Our mission is to provide services where users can feel joy and convenience, and have a good time, through our product-driven approach.

To this end, adapting to changes becomes the most important factor. Even businesses with a strong foundation are seeing the lifespans of their business models getting shorter and shorter. This trend is particularly noticeable in the world of IT. For that reason, we must focus on management that emphasizes offense over defense and change over stagnation, without falling into the innovation dilemma. Also, it is essential to create a system and culture where each employee is unafraid of change and can actively take on challenges to create new businesses with one another. By realizing these missions, we will continuously create new value that resolves various social issues, achieve sustainable growth, and enhance corporate value as a company that is indispensable to society.

I was once again reminded of the significant social role our company plays by the Noto Peninsula Earthquake that occurred in January 2024. From the evening of New Year's Day, each department worked on responding to the earthquake that occurred and played a significant role in not only distributing information on Yahoo! JAPAN News and LINE NEWS, but also in subsequent fundraising activities. In addition, LINE’s Open Chat was utilized by many people for sharing information in affected areas. Seeing employees from various departments work together to diligently fulfill their roles, I felt pride in being part of the media industry and found it very reassuring.

Yahoo Japan Corporation has long been committed to solving social issues by advocating missions and visions such as "Problem-Solving Engine" and "UPDATE JAPAN." On the other hand, LINE is also a service that was originally born because of the Great East Japan Earthquake, and we have worked with local governments to respond to disasters in the past. Now, as LY Corporation, we will continuously commit to providing such social value and keep contributing to society.

To continue being a platform operator that is needed by society in the future.

With the spread of advanced technologies such as generative AI, the IT industry, as well as society and industries, are expected to undergo significant changes in the future. For example, in five years, wearable devices and AI-based voice recognition may have replaced current smartphones as the main gateway to networks. In another ten years, AI will be responsible for everything from chat, search, and commerce, and players in the technology industry will have changed dramatically.

In such a future, for LY Corporation to continue being a platform operator that is needed by users and society, keeping up with these changes is not good enough. Instead, we must take the initiative to create change itself and lead the evolution of platform services.

As the first step towards such evolution, the theme we want to focus on from now on is innovating the user interface (UI). For example, actions such as making reservations and purchases online are currently dominated by web interfaces on PCs and smartphones. However, with the advancement of natural language processing technologies like generative AI, it is possible that these will be replaced by new UI such as chat and voice. Exploring how to create such a future is an important issue and a major challenge.

Our company has many user touchpoints, as well as various conversion points such as advertising and shopping. Having control over both the entry and exit points of these internet services should be an advantage for our company when developing new UIs or introducing new services that implement generative AI in the future.

Of course, not everything can be achieved by our Group alone. Taking generative AI as an example, instead of creating a new large-scale language model (LLM) by ourselves, we will identify the strengths and weaknesses of various LLMs and use them for different purposes. For generative AI to further evolve in the future, the latest local data and user touchpoints of each country and region is very important. As one of the largest platform operators in Japan, we will leverage our extensive data in Japan and numerous touchpoints with Japan-based users to create more accessible and convenient services utilizing generative AI.

In FY2023, we utilized generative AI in 16 services, but this year, we plan to roll out even more services to our users that would make them say, "This is convenient!" “Amazing!”

LY Corporation will continue to look toward the future of society and technology, always staying close to users, and continue to take on the challenge of creating new value. We humbly ask for your continued support.

Copyright © LY Corporation All Rights Reserved.