Message from the Corporate Officer in Charge of Sustainability

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where all parties benefit.

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Corporate Officer, Senior General Manager of Sustainability Group

Our commitment to sustainability is incorporated in our mission statement.

I believe that sustainability for LY Corporation is symbolized by the phrase "Life Platform," which is included in our company's mission. We aspire to be a platform provider that brings various information and services into people's daily lives, aiming to make society and users' lives happier, more enjoyable, and better.

To realize this mission, we have designated sustainability activities as a major management priority and established the Sustainability Committee under the Board of Directors as the executive body for sustainability. The Committee is chaired by President and Representative Director, CEO, Idezawa, and is participated by the CFO, who is responsible for financial and non-financial matters, and a full-time independent outside director, to ensure that management strategies and sustainability strategies are implemented in an integrated manner. Additionally, to increase the effectiveness of our initiatives, we incorporate sustainability evaluation as an evaluation indicator for executive remuneration.

We are motivated to create a world where all parties benefit.

In addition to these organizational efforts, I personally feel very strongly about promoting sustainability. Symbolizing my feeling is the Omi merchants' management philosophy of "Sanpo Yoshi," or “Good for the seller. Good for the buyer. Good for society.” —Aiming to create a world where our business does not thrive at the expense of someone or by destroying something, but rather, a world in which society improves and people become happier as our business grows. Ever since I encountered this philosophy, creating a world of 'Sanpo Yoshi' has become a major motivation in my everyday work.

My commitment to this philosophy deepened during the time I was responsible for the Top Page at Yahoo Japan Corporation. Back then, using a personal computer to access internet content was still the mainstream. The Top Page of Yahoo! JAPAN is one of the most viewed pages in Japan, and I was surprised at

how much influence it has. At the same time, the thought of so many people viewing the page led me to naturally consider our social responsibility.

However, having this awareness and putting it into practice were two different things.
Although we had regularly discussed and prepared for the Top Page's role in the event of a disaster, the magnitude of the Great East Japan Earthquake overwhelmed us. Despite our best efforts, I was left with an increasing sense of helplessness, questioning if we had truly been able to support the affected regions.

It was when I was assigned to the search division in 2013 that I finally got a hint as to how I could fulfill my responsibilities to society. With the objective of developing content useful to the disaster-affected areas and victims using our search system, I was assigned to plan and market the campaign site, "Search for 3.11: Searching is Supporting."
This project, in which our company donates according to the number of users who search "3.11" in solidarity with the disaster-affected areas, drew considerable attention and continues today under the title, "Search for 3.11: Searching Is Empowering."
This experience has led to my current belief that, as a platform operator that has a substantial impact on society, we should offer services that guide society in a positive direction.

→ Significance of Conducting "Search for 3.11: Searching Is Empowering," on March 11—Corporate Officer Shares His Thoughts on Recovery Support/Disaster Prevention

Role of the Sustainability Group

We strengthen the LY Corporation Group's efforts from two perspectives: "risks" and "opportunities."

The Sustainability Group, which I currently head, oversees LY Corporation's CSR activities as well as ESG activities, including those of Group companies.
The ESG team works from three standpoints that support the sustainability of companies and society: "Environment," "Social," and "Governance." Meanwhile, the CSR (Corporate Social Responsibility) team is an organization that practices the philosophy of "noblesse oblige," which originated in France around the 19th century—the idea that powerful companies and organizations have the responsibility to contribute to society—which is very much linked to my own beliefs.
By the way, these two teams do not operate completely separately but sometimes collaborate depending on themes.

As part of these collaborative efforts, the Sustainability Group is currently focusing on two missions: "risk reduction," which aims to minimize the negative impacts on society, and "opportunity creation and enhancement," which seeks to amplify the positive impacts. These efforts are being pursued in collaboration with business divisions across the LY Corporation Group.

"Risk reduction" not only involves preventing risks at our company, but also involves efforts to minimize risks as much as possible throughout the entire supply chain, including environmental conservation and human rights considerations.
For example, LY Corporation provides a variety of internet services, but in the process, we consume a significant amount of electricity to operate a vast number of servers, indirectly emitting a large amount of CO_2. To mitigate these risks, we are promoting the use of renewable energy and the adoption of energy-efficient servers.

In addition to moving toward carbon neutrality, one of LY Corporation's top priorities is responding to information security issues following administrative guidance. Regarding this issue, we are currently identifying the necessary actions to enhance our security, incorporating third-party opinions. We are steadily proceeding with our efforts and will provide updates as progress is made.

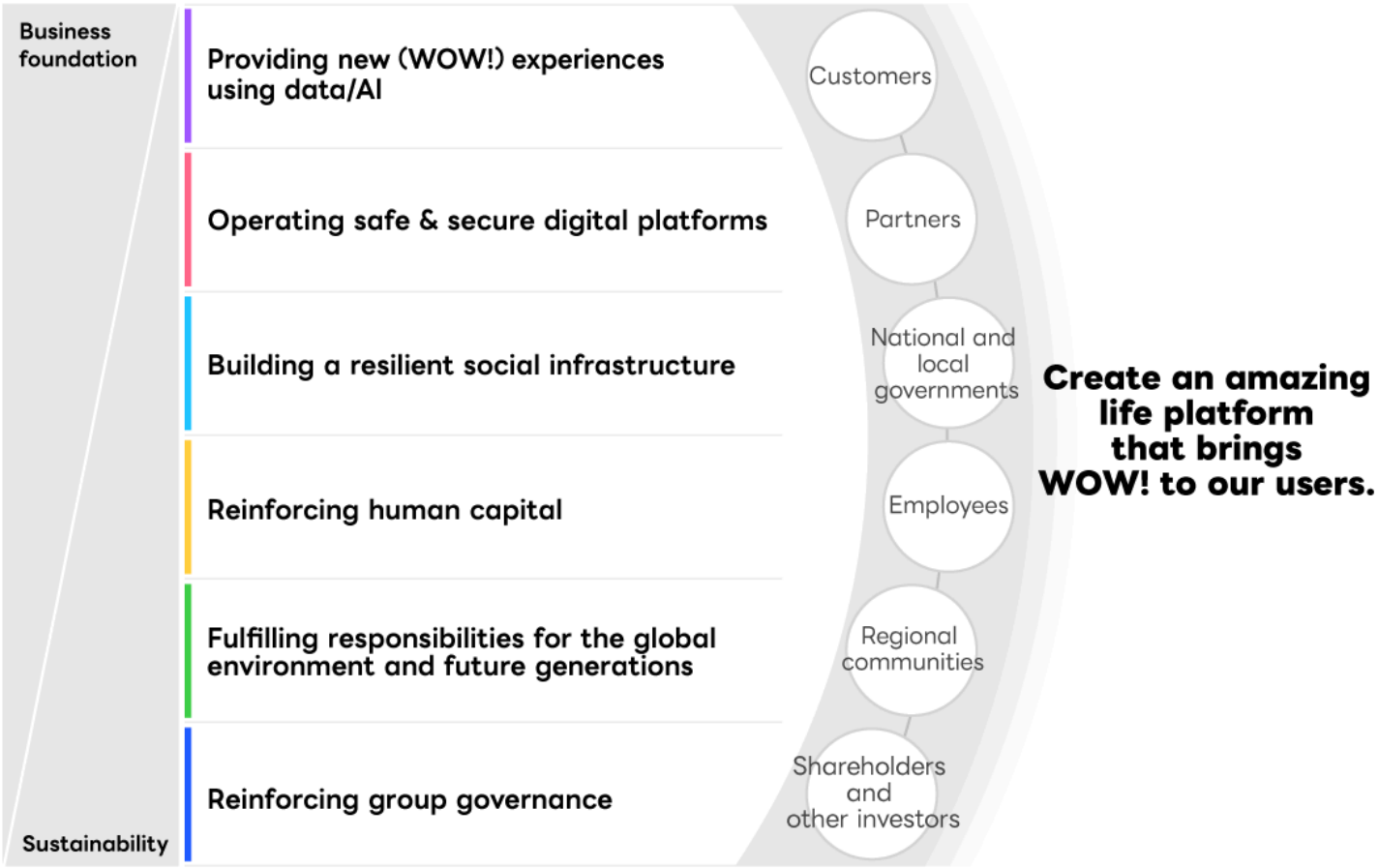
Furthermore, "opportunity creation and enhancement" involves initiatives aimed at creating catalysts to drive positive changes in society through our services and activities.
For example, Yahoo! JAPAN Auction is one of our services which creates “good for both sellers and buyers,” as well as contributes to the building of a circular economy, providing “good for society.” Therefore, providing the service itself brings a positive impact for society.

On the other hand, however, convenient services such as Yahoo! JAPAN Auction carry the risk of being misused by some users. For example, there is a risk that the Yahoo! JAPAN Auction platform could be used to trade rare plants and animals. To mitigate such risks, LY Corporation has established rules prohibiting the trade of rare plants and animals, and uses AI along with human patrols to ensure compliance, removing any problematic listings.
By continuing these activities, we aim to reduce negative impacts and simultaneously enhance positive impacts such as convenience and security.

LY Corporation’s Materiality

We have updated evaluation indicators for six material issues.

Currently, to strengthen our commitment to sustainability management, we have identified six material issues by evaluating their significance to our stakeholders and LY Corporation.
These material issues are considered from two main perspectives. The first perspective covers essential initiatives to ensure corporate sustainability, while the second emphasizes critical factors for strengthening our business foundation as a platform provider. The following diagram separates these two perspectives with a "/" and shows relevance of each of the six items.



However, these material issues were identified in 2022 after the business integration of LINE Corporation and Z Holdings Corporation in March 2021. Following the COVID-19 pandemic, there has been a significant shift in societal and individual values. Additionally, our Group's business reorganization involving five companies in 2023, has revealed new opportunities and risks.
Therefore, in September, we reviewed our materiality evaluation indicators.

The first thing we discussed in the review was the “operating safe & secure digital platforms”. Our information security issues are of great concern to society and are a top priority for us as a life platform provider.
While addressing the measures to prevent recurrence in response to the administrative guidance, we have established and already published new evaluation indicators for building governance and effectively operating our privacy and security systems to ensure the safe and secure use of our services.

We also reviewed our efforts to “reinforcing human capital”. Our company leverages the talents of specialists in areas such as data analysis, generative AI, and information security to develop diverse services. Professionals with diverse specializations have accumulated extensive knowledge in organizational and business operations. To enable these talents to excel further through the business reorganization and establish a cycle of producing outstanding services and products, we have made "connecting people with business to maximize the performance of human capital and organizations" as the cornerstone of our human capital strategy.

Furthermore, we monitor the results of the monthly engagement survey conducted on all employees, aiming to maintain or improve the scores for each item from the time of the Group reorganization.
Human capital is the source of everything in the sense that reinforcing our human resources will revitalize our services and businesses, and will lead to improvements for our users and society. We believe that reinforcing our human capital will continue to be one of our most important priorities.

→ Special Feature: Reinforcing Human Capital

LY Corporation is already pursuing its own approach in achieving carbon neutrality for Scope 1 and Scope 2 emissions by FY2025. Therefore, in regards to the material issue, "fulfilling responsibilities for the global environment and future generations," we reconsidered what indicators would be appropriate for our company. Moreover, given the growing emphasis on natural capital in addition to climate change, we have introduced new evaluation indicator for "conservation of water resources."
Earlier this February, we announced a long-term contract with Tajima Forest Corporation of Oita Prefecture to purchase J-credits derived from their forests for a 10-year period. This enables Tajima Forest Corporation to use the revenue from the credits for forest maintenance and reforestation, helping both companies to prevent deforestation and contribute to sustainable CO_2 reduction. Additionally, this initiative aids in preventing landslides and conserving biodiversity.
Addressing global environmental issues is a significant challenge that cannot be tackled by one company alone. We aim to fulfill our responsibility to the future by promoting such initiatives together with other companies, local governments, and other industries.

Visualization of Social Impact

By visualizing and connecting the two impacts, we will create a virtuous cycle of social and economic value.

In addition to achieving new evaluation indicators for materiality, we have future plans to focus on visualizing social impact.
Currently, ESG activities are evaluated through scoring and ratings by specialized agencies, primarily targeting institutional investors. Although these evaluations are effective in measuring "risk reduction," they do not serve as indicators for measuring "opportunity creation and enhancement," that is, how our efforts are contributing to society or what positive impact they are having on society.
I intend to adopt methods for measuring these positive social impact both quantitatively and qualitatively, to further integrate sustainability with our business activities. This approach will serve as one of the criteria for investment decisions in new businesses and services, allowing us to prioritize investment in those with significant social impact and advance our sustainability management.

The business divisions naturally seek economic impact when making various decisions. If you had to invest JPY1 billion and choose between a project that is expected to generate JPY10 billion in profits and a project that is expected to generate 1.1 billion yen in profits, you would choose the former. By adding a sustainability perspective to our decision-making, I would like to ensure that many of LY Corporation’s products and services embody the “Sanpo Yoshi” philosophy, benefitting all involved.

I believe that we need to go through two major stages of assessment to visualize social impact.
The first stage is to measure the social impact I have been talking about.
Through our service, Yahoo! JAPAN Internet Fund Raising, we were able to raise JPY2 billion in donations related to the Noto Peninsula Earthquake in just a few months. Although the JPY2 billion was effectively used by support groups in the disaster-stricken regions and can be considered beneficial, a more detailed analysis of the actual outcomes, or social impact, is needed, employing tools like a logic tree.

Additionally, since 2013, LY Corporation has hosted a bicycle event called "Tour de Tohoku" together with the local newspaper, Kahoku Shimpo, to support the recovery efforts in the disaster-stricken areas of the Great East Japan Earthquake and to prevent the disaster from being forgotten. According to a 2015 calculation by Daiwa Institute of Research, the economic impact of this event was estimated at approximately JPY800 million. This economic impact includes the cost of transportation, food, accommodation, etc. for up to 4,000 riders traveling to the disaster-affected areas from all over Japan. I believe that we need to explore how this calculation method can be applied to other initiatives.

The second stage of assessment focuses on what positive impact the outcomes had on the LY Corporation Group.
For example, understanding how our initiatives such as Yahoo! JAPAN Internet Fund Raising have impacted recruitment could be beneficial. If we can determine how our sustainability efforts have influenced the decision-making of employees who decided to join LY Corporation, we might be able to strengthen our recruitment strategy for attracting top talent.

It is also important to consider how the outcomes of the sustainability efforts have affected the so-called favorability ratings.
For instance, if an increasing number of people choose Yahoo! JAPAN Shopping from the numerous e-commerce sites available because we actively promoted fundraising activities to support disaster victims, this could demonstrate the correlation between our sustainability activities and the preference for our services.

As such, social impact assessment has two stages, and measuring the "impact on society" in the first stage relates to maximizing the positive impact on society through our business activities. The second stage, measuring the "impact on the company," leads to strengthening future human and financial capital, such as improving recruitment capabilities and promoting the use of our services.
The most important aspect is that by linking the two stages, we can create a virtuous cycle of social and economic value.
How do reducing CO_2 emissions and supporting disaster-stricken areas lead to reinforcing human capital, generating profits, and improving brand value? I am convinced that if we can clarify this and other correlations such as how strengthening human capital impacts future earnings, we can further advance our sustainability initiatives.

Future Initiatives

We will strengthen the dissemination of information on activities unique to LY Corporation.

To date, LY Corporation has received high marks through external evaluations, such as inclusion in various ESG indexes. This recognition is extremely valuable as it was earned through the hard work of the ESG team and the many members who participated in the initiatives through their interactions with the team.

However, the environment surrounding corporate sustainability is changing year by year, even when we look at the disclosure guidelines for securities reports, so simply doing the same things as before will not improve our evaluation. Therefore, going forward, we would like to engage in more proactive dialogues with institutional investors than ever before, utilizing our new evaluation indicators.

At the same time, we would like to establish a method for evaluating social impact as soon as possible and strengthen our communication efforts on how the unique initiatives of LY Corporation are contributing to the sustainable development of society and the improvement of our Group's corporate value.
Through these communications, we aim to deepen our relationships with all stakeholders—those who use LY Corporation's services, work with LY Corporation, are employed by LY Corporation, and invest in LY Corporation—to achieve our mission: "Create an amazing life platform that brings WOW! to our users."

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