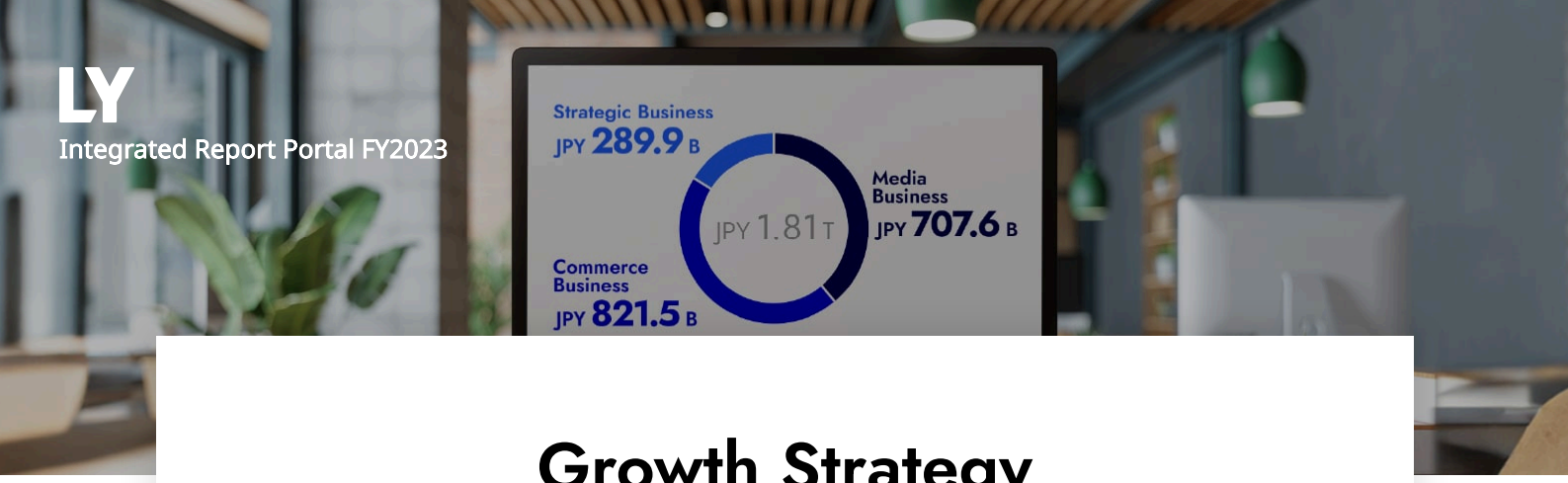


Growth Strategy

Last updated: 10/1/2024

Consolidated Financial Results and Our View on the Business Environment

Consolidated Financial Results

In FY2023, LY Corporation was formed on October 1, 2023, as a result of the Group reorganization involving the merger of Z Holdings Corporation and its core subsidiaries, LINE Corporation and Yahoo Japan Corporation. The aim of this reorganization was to bring business efficiency through the merger, accelerate synergy generations and to promote a sustainable profit growth for the future.

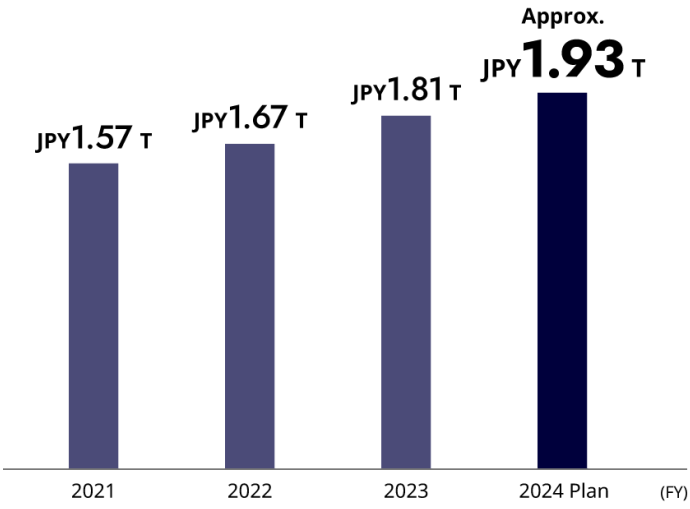
The management structure for the Group was changed from a Co-CEO structure to a single CEO to further expedite decision-making. In addition, a company-system for each business domain was introduced to speed up service developments by delegating authorities to the internal companies.

Furthermore, we have selectively focused on key business areas and integrated/terminated overlapping functions and services to control costs particularly in sales promotion and outsourcing expenses.

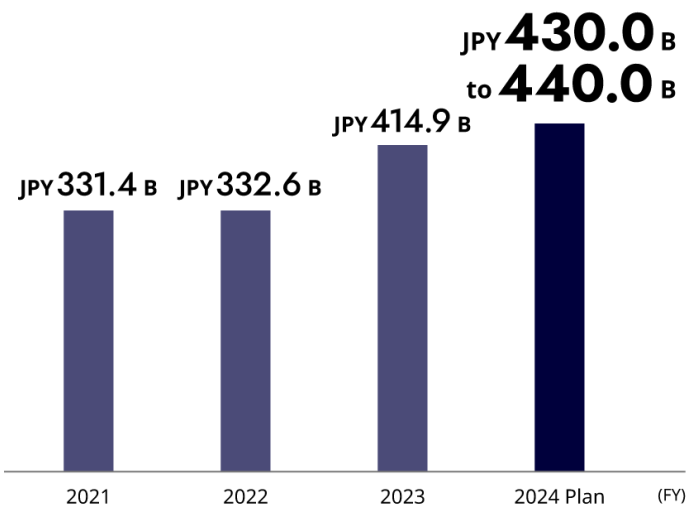
In addition to measures such as account linkage and LYP Premium to reinforce highly profitable media and search domains and to fully leverage our users/service base of LINE and PayPay, we have also worked to build a foundation for growth in FY2024 and beyond.

As a result, the revenue for FY2023 amounted to JPY1.8146 trillion and adjusted EBITDA* to JPY414.9 billion, recording a year-on-year growth of 8.5% and 24.7% respectively.

Revenue



Adjusted EBITDA*



* Adjusted EBITDA=Operating income + depreciation & amortization ± EBITDA adjustment items.
EBITDA adjustment items: Gains/losses on non-recurring and non-cash transactions within operating revenue and expenses (loss on retirement of fixed assets, impairment losses, stock compensation expenses, gains on remeasurement relating to business combinations, other transactions with undetermined cash outflows (one-time provisions, etc.), etc.). Also, gains/losses on sales of shares held by certain funds. Definitions changed from FY2022. Added certain rents to depreciation and amortization, and gains/losses on sales of shares held by certain funds to EBITDA adjustment items.

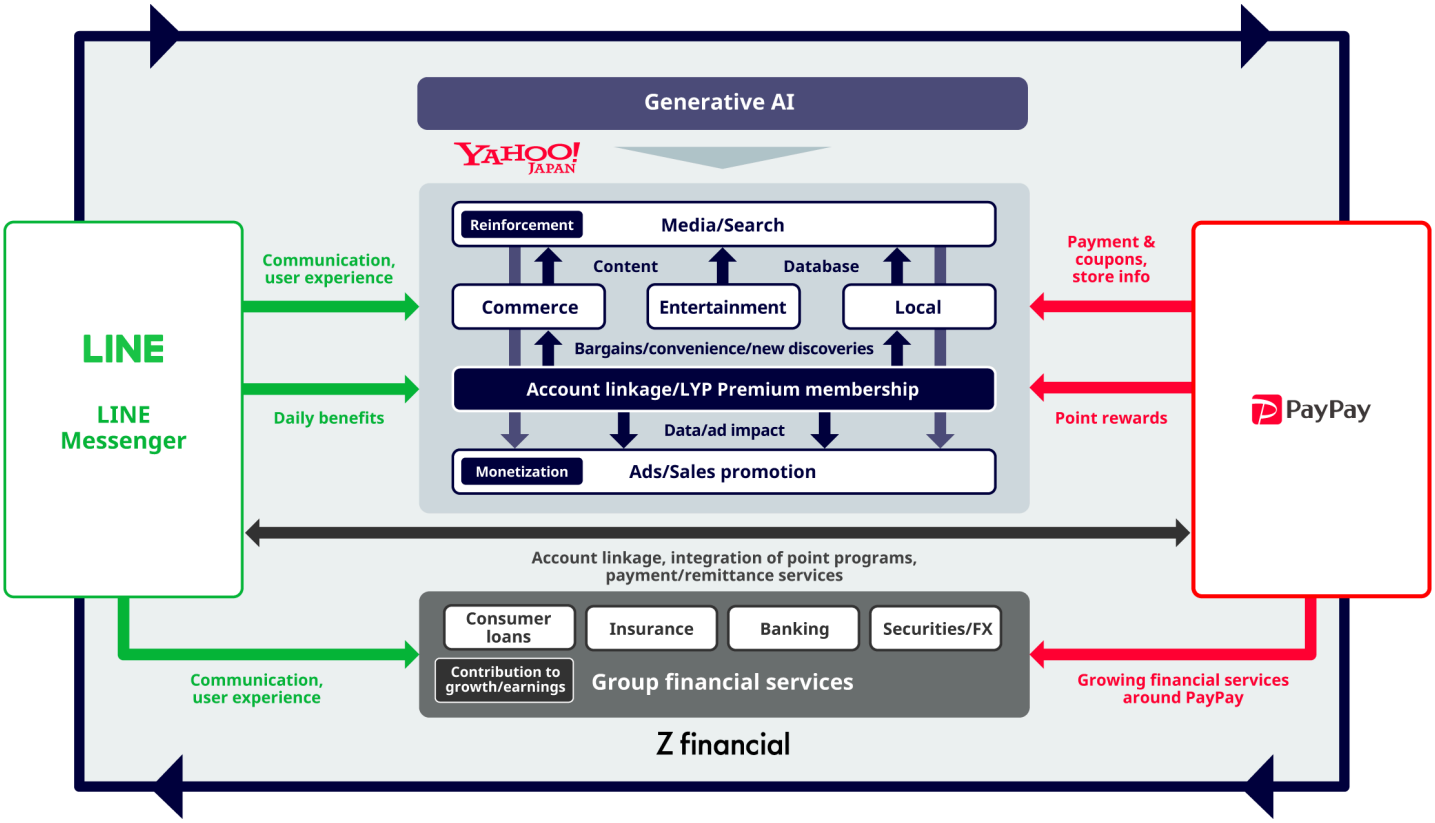
Our View on the Business Environment

The business environment surrounding the LY Corporation Group has changed significantly. Although the advertising market began to weaken in the second half of FY2022 due to the worsening economic environment, it began a gradual recovery in the second half of FY2023. In addition, the internet advertising market in Japan, the main market for the Group's mainstay Media Business, continues to undergo remarkable environmental changes, including the emergence of powerful new services due to technological innovation and the rapid growth of new advertising formats in response to diversifying user needs. In this environment, the Group's relative competitiveness has continued to deteriorate, as evidenced in the Group's share in the Japanese advertising market and in search queries.

The Commerce Business, which showed continued growth since the "e-commerce revolution" in 2013, also faced the limitations in its conventional growth model which was supported by active sales promotions. The Group's share in Japan's e-commerce market and the growth of its merchandise transaction value are both declining, despite the changes in the environment due to factors such as the pandemic. However, we have shifted our policy to balancing product reinforcement and cost optimization from the second half of FY2022, which has improved the growth rate of merchandise transaction value.

Growth Strategy

With a focus on reinforcing profitable search and media domains, the LY Corporation Group will strengthen the service gateways by introducing LYP Premium, a Group-wide paid membership program and revamping LINE and Yahoo! JAPAN app. In addition, we aim to achieve a medium- to long-term growth by implementing measures such as integrated commerce search, account linkage, data usage and cross-use of services. We will also utilize the user base of each asset and strengthen service linkages.



Priority Initiatives for FY2024

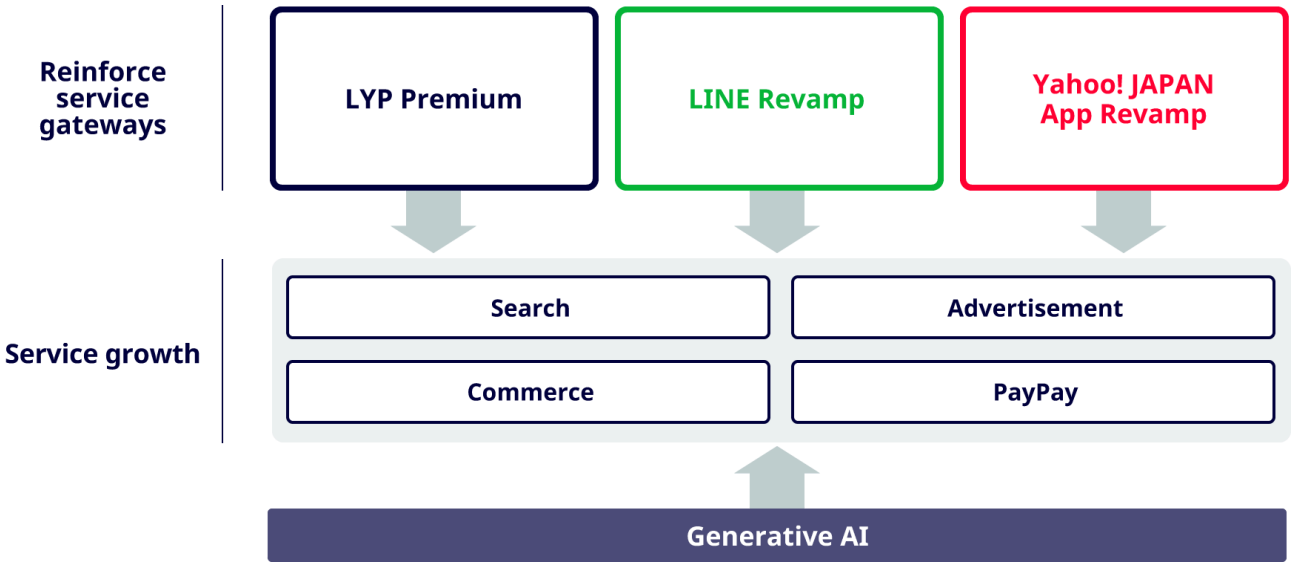
In FY2023, there were multiple incidents of unauthorized access by a third party to our system due to a malware infection of a personal computer of a subcontractor used by NAVER Cloud Corporation and LY Corporation. This led to information leakage of our users, business partners, employees and other personnel. Security measures will thus be the top priority in FY2024. We will also strengthen governance, change our management structure, and endeavor to achieve service and business growth.

As security measures, we will perform a fundamental review of safety management measures for the employee system, etc. as well as for subcontractor management. The measures for LY Corporation alone, such as separation of employee system and authentication system from NAVER Corporation are scheduled to be completed within FY2024. Security measures for our subsidiaries are expected to be completed in and after FY2024, but we will work to move up the schedule. Termination of outsourcing relationship with NAVER Corporation will not be limited to employee systems and network operations, but will also include outsourcing in service and business areas. Furthermore, we will establish a new organization dedicated to security measures to strengthen our security governance structure.

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

In terms of product reinforcement, we will promote the cross-use of Group assets through the LYP Premium membership program and fortify each service gateway through the revamping of LINE and Yahoo! JAPAN app to propel the growth of major businesses such as search, advertising, commerce, and PayPay. In addition, we will proceed with the implementation of generative AI in services and drive the growth of each service.

Through these initiatives, we expect the FY2024 revenue to increase approximately 7% to around JPY1.93 trillion and adjusted EBITDA to increase 3.6-6.0% year on year, amounting to a range of JPY430.0 to 440.0 billion.



Financial Strategy

Net leverage ratio[*1] (Excluding financial business[*2])	Maintain credit rating	Adjusted EPS
Maintain 3X or less	JCR:AA- R&I:A+	Exceed JPY20 in FY2025

In the management of the Group, which belongs to the internet industry that is constantly advancing due to technological innovation, a flexible financial strategy is the key to stable growth over the medium- to long-term. Through appropriate capital allocation, the LY Corporation Group aims to achieve continuous growth and maximize corporate value with an awareness of both financial soundness and capital efficiency.

Using business profits generated mainly from the Media Business as a basic source of funds, the Group proactively implements measures for growth, such as upfront investments, capital expenditures, and capital and business alliances. In addition, the Group has a capital allocation policy[*3] in place to implement shareholder return measures to increase corporate value. For the cumulative amount from FY2023 to FY2025, we expect a cash inflow of approximately JPY1.1 trillion, which can be broken down to an operating cash flow of JPY955.0 billion and the merger effect and financing of JPY200.0 billion. The cash generated will be allocated to base shareholder returns and base investments in the amount of JPY640.0 billion. The remainder, JPY515.0 billion, is planned to be secured as a buffer for additional investments and capital policy (e.g., share buybacks, M&A, etc.).
Furthermore, to meet the continued listing requirements of the Tokyo Stock Exchange's Prime Market and to return profits to shareholders, we have repurchased approximately JPY150.0 billion of our own shares and canceled approximately 6.4% of total number of outstanding shares[*4].

In the event of large-scale acquisition or merger (M&A), the LY Corporation Group considers issuing corporate bonds and using bank loans. In these cases, the Group raises funds under the financial discipline of "maintaining a net leverage ratio (excluding the financial business[*2]) of 3 times or less" while keeping an appropriate level of financial soundness.

In addition, since shareholder returns are also important for increasing corporate value over the medium- to long-term, we will proactively consider and implement shareholder return measures within the scope of our capital allocation policy, including direct measures such as share buybacks, in addition to dividend payments, while giving due consideration to the balance with growth investments.

With regard to capital efficiency, we consider it an important issue in our financial strategy to restore and even exceed the return on equity (ROE) and other ratios to the levels before the business integration with LINE Corporation. In improving capital efficiency, our basic policy is to grow net income, which is the numerator, and we plan to achieve adjusted EBITDA of JPY430 to 440 billion in FY2024, an increase of approximately 3.6 to 6.0% over the previous year, through disciplined cost investment and growth in business and services. When one-time gains*5 of FY2023 is excluded to calculate the actual performance, adjusted EBITDA for FY2024 is expected to increase by approximately 6.0-8.5% year on year. We aim for adjusted EPS to exceed JPY20 in FY2025 by eliminating equity in losses of affiliates and joint ventures through improved profitability of equity-method affiliates by FY2025, in addition to the improvement effect of share buybacks and the growth of adjusted EBITDA.

*1 Net leverage ratio=Net interest-bearing debt/Adjusted EBITDA (Figures for the last 12 months used for calculating adjusted EBITDA).

*2 Financial business includes PayPay Corporation, PayPay Card Corporation, and financial subsidiaries of Z Financial Corporation (e.g., PayPay Bank Corporation) as well as the financial subsidiaries of LINE Financial Plus Corporation.

*3 As of May 8, 2024

*4 Decided in August 2024. Cancelled on September 30, 2024.

*5 Excludes ASKUL Corporation’s compensation for damages: JPY9.4 billion.

Non-financial Strategy

→ Sustainability Initiatives and Management Structure

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