# Media Business

Last updated: 10/1/2024

## We will expand ad revenue through the use of Group assets and product reinforcement.

YAHOO! JAPAN Ads

LINE Ads

LINE Official Account

LINE NEWS
(Japanese only)

YAHOO! JAPAN
(Japanese only)

YAHOO! JAPAN ニュース
(Japanese only)

FY2023
Total Advertising Revenue

JPY **606.4** B

LINE
Monthly Active Users*1

Approx. **97** mil

Yahoo! JAPAN
Monthly Active Users*2

Approx. **85** mil

*1 LINE app monthly active users in Japan; as of March 31, 2024.

*2 Nielsen TOPS OF 2023: DIGITAL IN JAPAN (Top 10 internet services in Japan, ranked by number of users and reach (%)). Average monthly number of users between January – September 2023. Does not include duplicate users of smartphones and PCs.

## Our View of the Business Environment

The total advertising expenditures in Japan grew to JPY7.3167 trillion for 2023 (YoY +3.0%).[*1] This was a result of the increase in the number of face-to-face events held due to the transition of COVID-19 to a Category 5 infectious disease, a revitalization of domestic and international tourism and travel, an increase in advertising demand due to the resurgence of social and economic activities, as well as the advancement of digitalization in society, despite being affected by geopolitical risks and rising prices.
Out of the total advertising expenditures, internet advertising spending recorded JPY3.3330 trillion (YoY +7.8%),[*1] maintaining a steady growth as a result of the increased demand in video advertising accompanied by the increased use of connected TVs, and expansion of the digital promotion market. As a result, the percentage of internet advertising spending in total advertising expenditures in Japan grew to 45.5%.

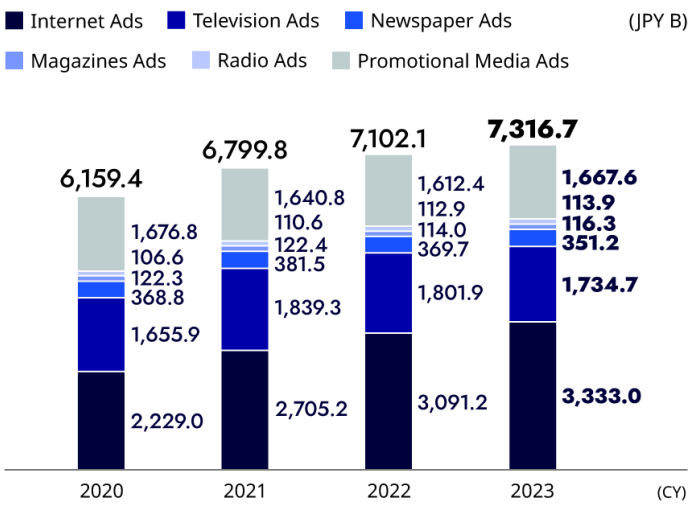
Internet advertising media expenditures, which constitute approximately 80% of internet advertising spending amounted to JPY2.6870 trillion (YoY +8.3%) due to the growths of video advertising and digital sales promotion as mentioned above. By type, paid search advertising amounted to JPY1.0729 trillion (YoY +9.9%)[*2] and display advertising amounted to JPY770.1 billion (YoY +4.5%)[*1] both increasing and accounting for approximately 70% of internet advertising media expenditures. Video advertising recorded a double-digit growth for the second consecutive year (YoY +15.9%) to JPY686.0 billion as a result of the increase in video service users and time spent.

Although the internet advertising market continues to expand with the digitalization of society, personal information protection regulations are increasingly tightened. Therefore, internet advertising platform operators are required to protect users' privacy, ensure thorough information management, and continuously improve advertising quality in the face of changing social conditions.

*1 2023 Advertising Expenditures in Japan, DENTSU Inc.

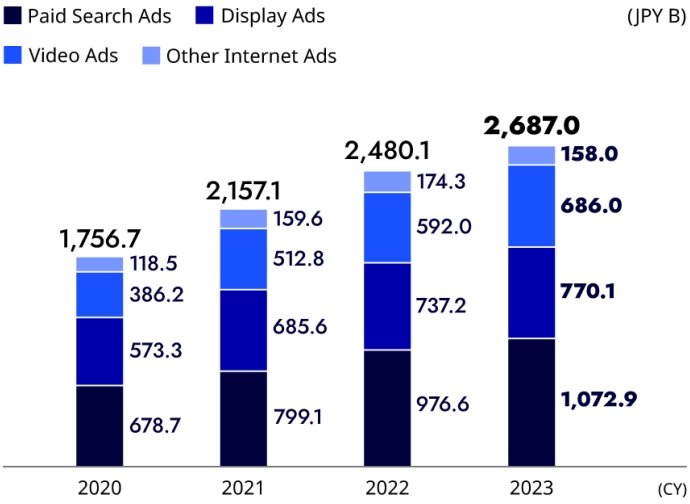
*2 Advertising Expenditures in Japan 2023— Detailed Analysis of Expenditures on Internet Advertising Media, DENTSU Inc.

## Advertising Expenditures in Japan




Source: 2023 Advertising Expenditures in Japan, DENTSU Inc.

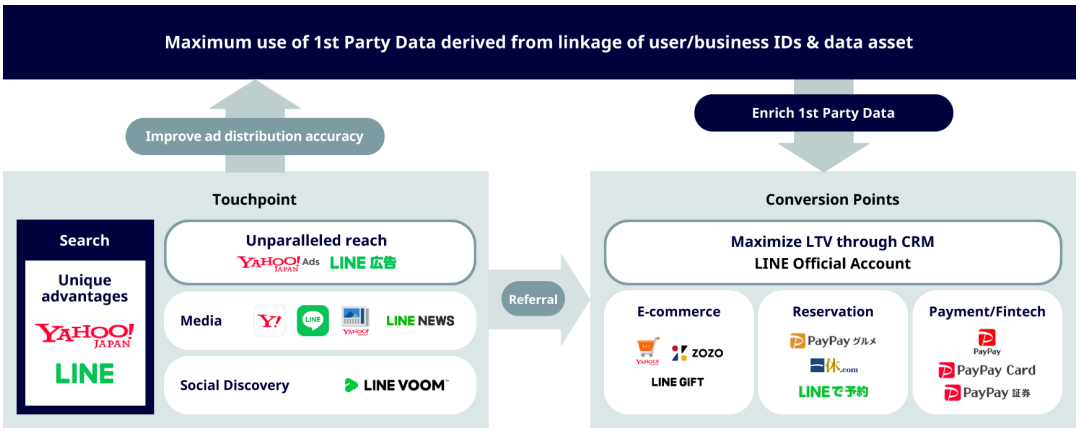
## Expenditures on Internet Advertising Media by Advertising Category




Source: Advertising Expenditures in Japan 2023—Detailed Analysis of Expenditures on Internet Advertising Media, DENTSU Inc.

## Competitive Edge

# Abundant first party data derived from our diverse touchpoints & conversion points only held by us.



## Target adjusted EBITDA (margin)

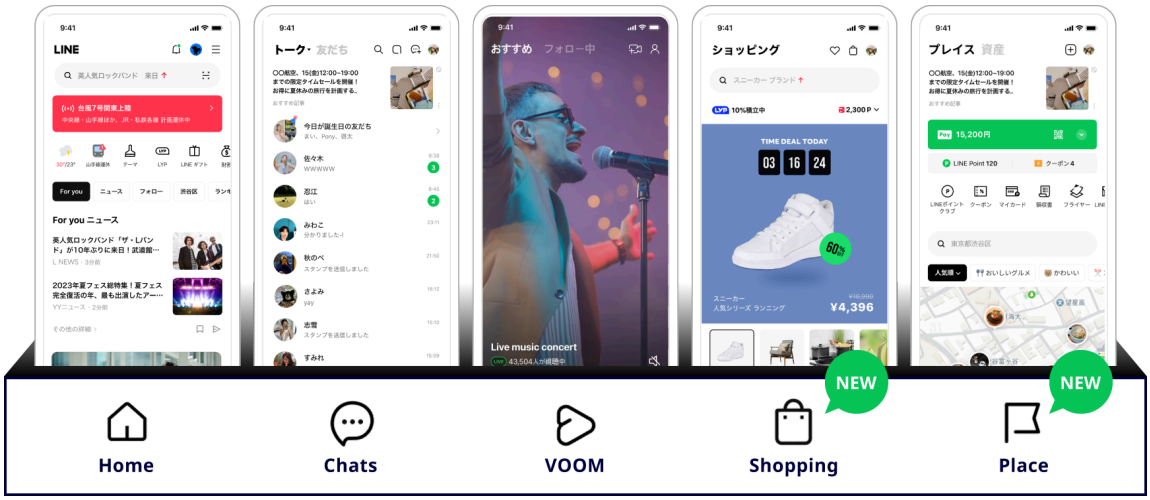
# 35%

## 1. Enhancement of competitive strength in search/media

As individuals and businesses accelerate their digital usage and internet services diversify, we will work to strengthen the search and media domains in order to improve the competitiveness of the platform itself.

In the search domain, we will improve the quality of our services, especially for search queries, which are highly profitable. Specifically, we will enhance search results for queries such as "commerce search," which is used to search for products for shopping purposes, and "local search," which is used to search for information on local restaurants, hotels, events, beauty care, and so on. In addition, we will work to provide new search experiences leveraging cutting-edge technologies such as generative AI. In the media domain, LINE will be revamped so that the home tab will be changed to a portal tab, and will be redesigned to provide search and personalized news and services. We also revamped Yahoo! JAPAN app by upgrading the tabs to meet user needs, and will aim to increase DAU[*1] and the number of sessions[*2].

### Revamping of LINE[*3]



## Revamping of Yahoo! JAPAN App*3

## 2. Account linkage and use of data

In addition to the linkage of accounts of LINE and Yahoo! JAPAN which began in October 2023, we also plan to link the accounts of PayPay in the future. By utilizing the data held by each service, we will reinforce the distribution of advertisements and content that best suit the users and will improve the ad effectiveness.

To make the most of the wealth of first-party data, we will also refine the service data, to improve ad modeling performance and media service KPIs.

Furthermore, by combining with the integration of ad distribution platforms noted later, we will aim to improve advertising unit prices over the medium- to long-term.

## 3. Reinforcement of user base leveraging LYP Premium

We will aim to increase the revenues of search advertising and sales promotional advertising by promoting the traffic referral among Group services, leveraging LYP Premium, a Group-wide paid membership program launched in November 2023.

Through this program, we will promote the retention of users in the Group's ecosystem to enhance the use of search and promotional services, thereby maximizing ad revenue.

### 4. Integration of LINE and Yahoo! JAPAN ad distribution platforms

By integrating the ad distribution platforms of LINE and Yahoo! JAPAN, we will provide improved convenience to the ad clients. By enabling batch ad distribution to two media with different features from a single platform, we will support our advertising clients in flexibly allocating their ad budgets and reducing lost opportunities for ad distribution, thereby improving customer satisfaction.

*1 Daily Active User (users who have used the services more than once per day)

*2 Number of user visits to websites during a specified period

*3 The content depicted in these images is under development and may be subject to changes in the future.

## Results of FY2023 and Priority Initiatives in FY2024

# Results of FY2023

| Revenue | Adjusted EBITDA | Adjusted EBITDA (Margin) |
|---|---|---|
| JPY 707.6B | JPY 254.6B | 36.0 % |

The revenue of Media Business for consolidated fiscal year ended March 31, 2024, amounted to JPY707.6 billion (YoY +1.8%), accounting for 39.0% of total revenue. This increase was mainly as a result of the steady performance of account ads. Adjusted EBITDA amounted to JPY254.6 billion (YoY +7.0%).

### Search Advertising

Search advertising revenue amounted to JPY196.3 billion (YoY +0.8%). Although revenue decreased from search advertising distributed to partners' websites, revenue from ads on LY Corporation's websites increased, driven by the improvement in UI/UX. In addition, the continued UI/UX improvements made during the fiscal year and the enrichment of search results also contributed to the growth.

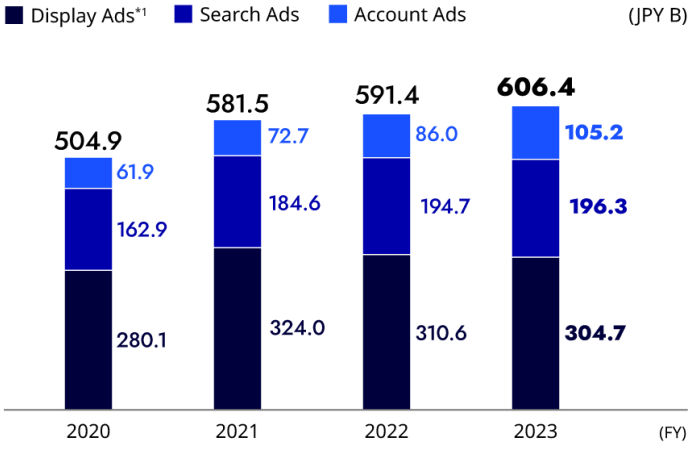
## Account Advertising

LINE Official Account, which accounts for more than 80% of the account advertising revenue, performed steadily and the account advertising revenue amounted to JPY105.2 billion (YoY +22.3%). As a result of the pricing revision conducted in June 2023, the number of paid LINE Official Accounts largely increased by 39.3% YoY to 386 thousand. LINE Official Account is our unique product that has the characteristics of both a CRM and a sales promotion tool, and it has maintained strong growth because it is a stock-type business model that combines fixed fees and pay-as-you-go billing.

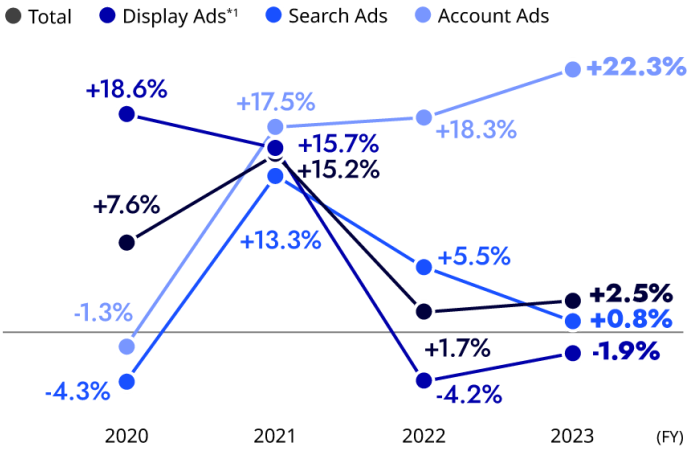
## Display Advertising

Revenue of display advertising[*1] decreased 1.9% YoY to JPY304.7 billion. This was mainly due to stagnant advertising market conditions and a continued decline in shopping-related advertising revenue in the first half of FY2023, due to the optimization of promotional expenses in the Commerce Business, as well as a decline in revenue from the short-form video platform, “LINE VOOM.” Meanwhile, increased ad distribution to LINE’s home tab and wallet tab contributed to revenue.

### Total Advertising Revenue




### Total Advertising Revenue YoY Growth Rate[*2]




*1 Display advertising includes revenues of other LINE advertising and commerce advertising. Revenue of commerce ads are recorded in the Commerce Business.

*2 Z Holdings Corporation and LINE Corporation integrated their businesses from FY2020-Q4. The growth rate was calculated on the premise that LINE Corporation's total advertising revenue was included from the beginning of FY2019.

→ P/L Trend

# Priority Initiatives in FY2024

For the Media Business of FY2024, we expect a low-single digit year on year increase in advertising revenue*1. Adjusted EBITDA is expected to amount to JPY261.0 billion.

In search advertising, we will continue to improve UI/UX and will focus on the enrichment of search results in critical query domains (commerce, local, and knowledge). In particular, we will increase the revenue of integrated commerce search, which displays product information on Yahoo! JAPAN Search, by expanding the number of products listed on other company's e-commerce websites.

We will aim for a double-digit revenue growth in account advertising, continuing from the previous fiscal year. This will be achieved by expanding the number of paid LINE Official Accounts, increasing the average customer spend and target reach*2.

We will strive to maintain/increase the revenue of display advertising by utilizing first-party data from account linkage and data integration, as well as leveraging the revamp of LINE and Yahoo! JAPAN app.

*1 Media Business revenue minus "Other" in Media Business.

*2 The parameter of friends who will receive targeted messages filtered by gender, age, and region.

# Communicating sustainability activities

A LINE Official Account, Sustomo (Sustainability Friend), was launched in November 2023 to deliver sustainability-related information. Sustomo aims to provide easy-to-understand information on the SDGs and sustainability, and to provide opportunities to see them as something that concerns users personally. We provide content to deepen users' understanding on sustainability and suggestions for actions such as making donations and purchasing ethical products, in order to provide opportunities to casually engage with sustainability.
Moving forward, by leveraging these in-house internet media capabilities, and by referring traffic to fundraising and e-commerce websites, we endeavor to raise people's awareness of social problems and address these issues by supporting people and organizations working on the problems as well as backing the users' problem-solving actions.

# Playing our part in mitigating and preventing disasters

Every year on March 11, which is the day the Great East Japan Earthquake occurred, we conduct projects to raise awareness of disaster prevention and to support reconstruction in disaster-stricken areas. In 2024, the purpose of the projects was not limited to supporting reconstruction in the areas affected by the Great East Japan Earthquake, preventing the disaster from being forgotten, and raising awareness of disaster prevention. Instead, the projects also covered the victims and areas affected by the 2024 Noto Peninsula Earthquake, which occurred on January 1, 2024. In addition to various fundraising activities through the search service, we worked to help rebuild the areas and raise awareness of disaster prevention by providing a simulation-based disaster prevention content, “Evacuation Drill in 3 Minutes/Smartphone Evacuation Simulation (Japanese only).”
We will continue to develop and provide services and implement initiatives in the field of disaster prevention that leverage the strengths of our services, aiming for "a future in which as many lives as possible can be saved in every disaster and in every situation."

→ More details (Japanese only)

# Content for children

“ Yahoo! JAPAN Kids (Japanese only) ,” a safe and secure portal website for children operated by LY Corporation, was revamped in February 2024 to provide an even more enjoyable learning environment for children. Today, children are increasingly using the internet to research and learn about things that interest them. Yahoo! JAPAN Kids provides an internet search environment with a unique filtering feature that ensures safety in children’s use. It also provides content that can be used for children’s learning. The revamp includes a redesign to a user-friendly website, and addition of features that make it easier to spark children’s interest in various matters.

In addition, to stimulate the children’s curiosity and expand their future possibilities, we launched a new media, “World Switch (Japanese only)" ” in October 2023. In addition to articles introducing initiatives and ideas from around the world that are implemented to create a better society, World Switch also provides content such as glossaries that explain popular keywords in an easy-to-understand way for children. In the future, we will continue to provide a variety of content to help expand children’s horizons through safe and secure internet experiences.

→ More details (Japanese only)

## Major Services and Products

### Search Advertising

#### Yahoo! JAPAN Ads Search Advertising

A text advertising that is displayed in the search results pages according to the keywords used to search at Yahoo! JAPAN. Ads will be posted in the search results pages of Yahoo! JAPAN which is used by a vast number of internet users, and a large advertising impact can be expected.

→ More details (Japanese only)

### Account Ads

#### LINE Official Account

Messages can be sent from LINE chat to users who have friended the accounts of stores and companies. LINE Official Account's overwhelming ability to reach users and build "one-to-one communication" utilizing the features of a communication app enables efficient and deep connections with users.

→ More details

#### LINE Promotion Sticker

Through advertising fees provided by companies, these stickers are offered to users free of charge or on a conditional basis and can be used as an incentive to increase friends of LINE Official Accounts.

→ More details

### LINE Sales Promotion

LINE Sales Promotion solves various issues in in-store sales promotions, such as reducing in-store operations and encouraging participation in promotional campaigns.

More details

### Yahoo! JAPAN Sales Promotion

Integrates advertising and sales promotion, providing a seamless marketing solution from reach through advertising to in-store sales promotion, and is designed to lead customers to purchase at brick-and-mortar stores. Sales drives can be announced in Yahoo! JAPAN's ads to prompt customers to visit stores and purchase items. Through a full range of services, from awareness raising by online advertising to offline in-store sales promotions, we support the promotion of user understanding in corporate marketing activities and provide optimal user experiences tailored to different lifestyles and purchasing preferences.

More details (Japanese only)

## Display Advertising

### Chat List

Advertisements are displayed in the slot at the top of LINE’s chat list. When users click advertisements displayed in the same format as the chat list, they will be referred to the landing pages of the products/services. These advertisements can be utilized for large-scale promotions since they are displayed in the top of the chat screen which is the most active among LINE’s services boasting unparalleled Daily Active Users (DAU).

More details (Japanese only)

### LINE NEWS

A news service characterized by high monthly active users (MAU) of over 77 million[*1].
In addition to the article listing page referred to from the News tab in LINE app, advertisements can be distributed to the article listing page of the account media of 430 media outlets[*2].

*1 As of August 2021

*2 As of January 2023

More details (Japanese only)

### LINE VOOM

Advertisements can be placed to over 68 million LINE VOOM monthly active users (MAU)* for traffic referrals, direct response, and promotion of app downloads.

* Number of users visiting LINE VOOM at least once a month (Internal survey as of August 2019)

→ More details (Japanese only)

### Yahoo! JAPAN Ads Display Advertising (Programmatic-based)

Advertisements can be displayed with images and videos on Yahoo! JAPAN Top Page or on websites that have advertising slots. In addition to various targeting options such as gender, age, interests, and purchase intentions, the advertisements can be effectively distributed according to objectives, and posted flexibly based on budget.

→ More details (Japanese only)

### Yahoo! JAPAN Ads Display Advertising (Reservation-based)

Highly visible image and video ads can be placed on Yahoo! JAPAN Top Page and services pages such as Yahoo! JAPAN News, which boast an overwhelming user reach. The outstanding amount of exposure leaves a strong impression of products and services on users and a high branding effect can be expected.

→ More details (Japanese only)

## Others

### LYP Premium

LYP Premium is a monthly membership service offering benefits of LINE, Yahoo! JAPAN, and PayPay. It offers benefits that make every day more fun, convenient, and affordable, such as over 12 million types of LINE Stickers, additional PayPay Points on purchases at Yahoo! JAPAN Shopping using PayPay for payment, and members-only PayPay Coupons.

→ More details (Japanese only)

### LINE Sticker

LINE Sticker provides various stickers and emojis that make chats more enjoyable and also offers various themes that allow users to customize their LINE screens.

→ More details (Japanese only)

## LINE GAME

LINE GAME provides numerous games in various genres such as the LINE POP series (a hexagon puzzle game) and LINE PokoPoko (a matching puzzle game). In addition to LINE's existing strengths in casual games, particularly puzzle games and game titles that utilize LINE's own IP characters, LINE focuses on expanding its broad range of genres and content offering, such as Jumpti Heroes.

→ More details (Japanese only)

## LINE MUSIC

LINE MUSIC is one of Japan's largest subscription-based music services, where users can enjoy their favorite music from a wide range of genres and a huge number of songs. Users can enjoy a wide variety of music, from the latest rankings and music videos to karaoke.

→ More details (Japanese only)

## LINE Fortune

A comprehensive fortune telling service where users can consult directly with fortune tellers 24/7, and enjoy menus by famous fortune tellers. LINE Fortune offers free fortune telling services by famous fortune tellers with reputations on TV and in magazines while LINE Talk Fortune provides fortune telling over telephones or chat in LINE app with over 1,000 fortune tellers. LINE Facing Fortune connects users remotely with fortune telling parlors in all parts of Japan.

→ More details (Japanese only)

## Yahoo! JAPAN Search

A search service that covers a vast amount of data on the internet. With a feature that directly displays information and answer related to the search and seamless linkage with various services available in Yahoo! JAPAN, etc., users can look up information that meets their search purposes and conditions quickly, conveniently, and in an easy-to-understand manner. In addition, topics buzzed in the social media can be searched with Realtime Search, while search screen designs can be customized to users' preferences.

→ More details (Japanese only)

## Yahoo! JAPAN News

Publishes 5,000 articles a day and provides round-the-clock live distribution of news video. In Yahoo! JAPAN News Topics, editors carefully select the must-read news delivering them at speed and in an easy-to-understand format. Yahoo! JAPAN News app provides push notifications of important news and information related to natural disasters. The comment section allows users to post their opinions on the articles which can be read by all users.

→ More details (Japanese only)

## Yahoo! JAPAN Weather

A weather app that provides not only weather forecasts, but all kinds of information related to weather and natural disasters. It also provides real-time "rain cloud radar" to check the movement of rain clouds across Japan, as well as seasonal weather information such as information on pollen and snowfall, and heat stroke index.

→ More details (Japanese only)

## Yahoo! JAPAN Transit Information

Whether users are walking, taking trains, buses, airplanes or ferries, they can search the routes to a destination with Yahoo! JAPAN Transit Information. The names of stations and facilities, addresses, and telephone numbers can be used for the search. Various other functions such as access to information on train delays and cancellations, schedules of trains and buses are also available.

→ More details (Japanese only)

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