LINE GIFT Demonstrates Early Effects of Z Holdings Synergy: Exploring the Present and Future of the Group's Commerce Business

Z Holdings, through its business integration with LINE Corporation, became a corporate group encompassing three foundational areas of services which support connections vital to people in daily life: "Information & People (provided by Yahoo! JAPAN)," "People & People (provided by LINE)," and "People & Payments (provided by PayPay)." By leveraging a globally unparalleled range of assets, Z Holdings aims to become an AI tech company leading the world from Japan and Asia.

Commerce was one of the first business areas to demonstrate such synergy generated by the linkage of services within the Group. LINE GIFT, in particular, started collaborating with Yahoo Japan Corporation ("Yahoo Japan") and other Group companies from an early stage, after the business integration took place in March 2021.

How will LINE GIFT utilize the Group's synergy to promote further growth, and how will Z Holdings' Commerce Business develop in the future? To answer these questions, we followed a discussion between two key figures leading the way.

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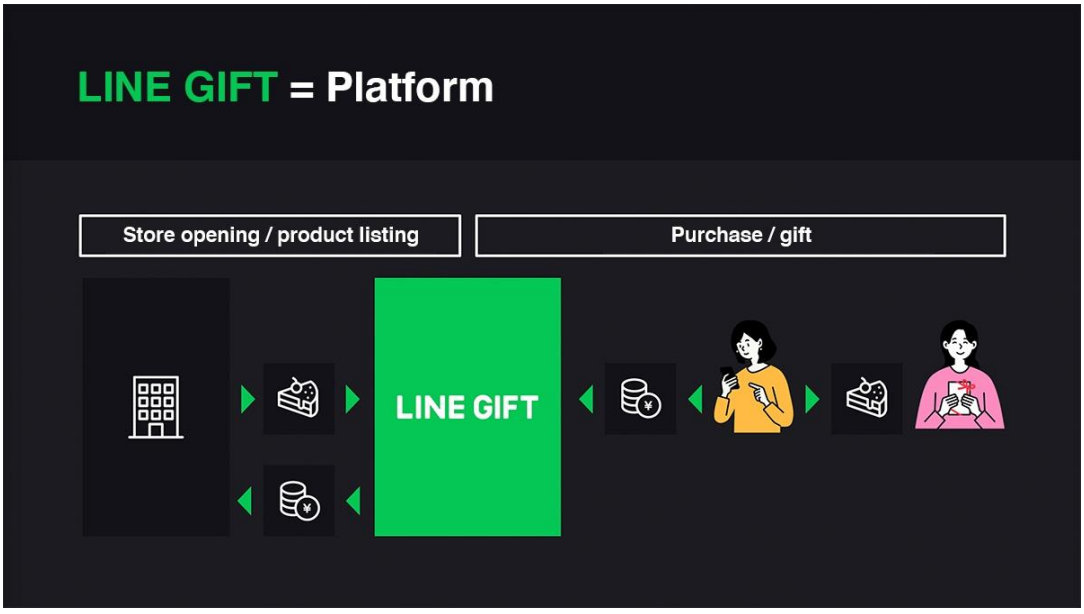
Group Synergy as Seen in LINE GIFT, Pioneer of Social Gifting

LINE GIFT is a communication service that allows users to send gifts to their friends through LINE chat. It has developed as a new form of commerce that combines e-commerce with LINE, a communication app which bridges people with other people. The cumulative number of buyers who have sent gifts via LINE GIFT exceeds 10 million, and if recipients are included, the cumulative number of users has expanded to approximately 20 million. Around 380 stores have opened in LINE GIFT, with the number of products handled reaching approximately 40,000 (as of December 2021).
The most striking feature of LINE GIFT is the ease of sending gifts. Users can send gifts without having to enter a postal address or meet in person with the recipient. Here is how it works.
Those wishing to send a gift can select from either an "E-Gift" which comes in the form of an e-ticket to be exchanged with a gift in-store, or a "Delivery Gift" which is delivered on a later date. The payment can be made using LINE Pay, PayPay, credit card, etc.

E-Gifts are sent via LINE chat in the form of a barcode or QR code accompanied by a gift message, which the recipient can present in a physical store to collect their gift. As long as there is a smartphone, recipients can easily pick up their gift whenever they wish, in a nearby store. Delivery Gifts, on the other hand, are delivered without having to notify a postal address to the sender, as gifts are delivered after the recipients register a postal address.

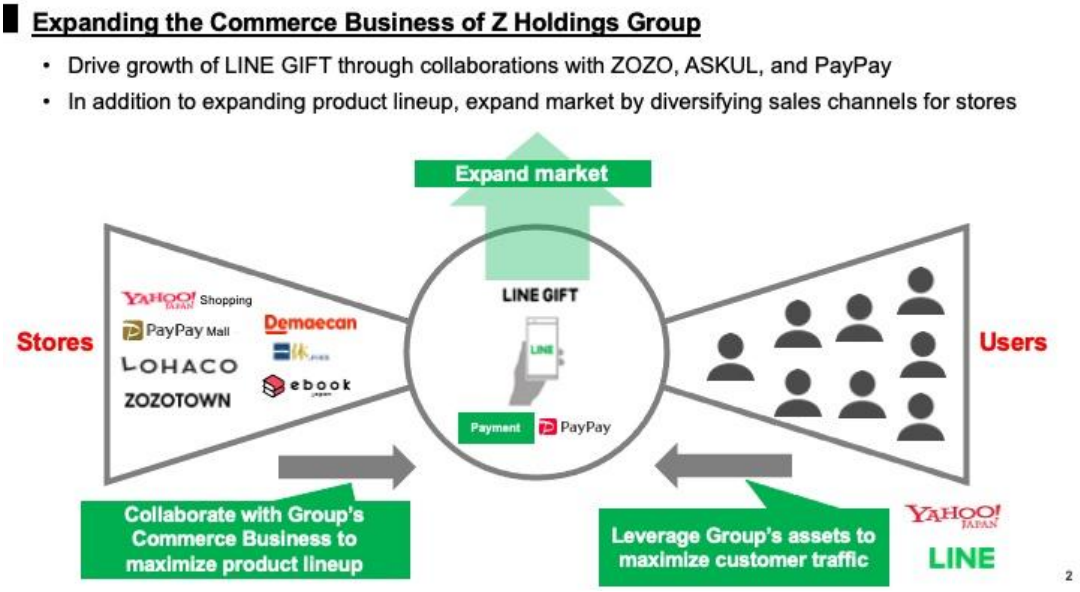


The service encapsulates the essence of gift giving which is to convey a person's wishes or thoughts, while removing the hassles, steps, and psychological barriers that can arise from sending a gift.
Shohei Yoneda, Senior Manager of the Gift Business Department at LINE Corporation, who has led LINE GIFT ever since the birth of the business in 2015, explains recent user trends:

"Female users were the most frequent users both for sending and receiving gifts. According to a survey carried out between October and November 2021, the service recognition rate was the highest among female users in their 20's which reached 87%. For all users in their teens and 20's, the recognition rate exceeded 60%, suggesting the service is increasingly recognized among the younger generation."

Shohei Yoneda, Senior Manager, Gift Business Department, LINE Corporation
After joining a major telecommunications company as a new graduate, then working for a venture company, Yoneda joined LINE Corporation in 2014 and has been in charge of the LINE GIFT business since its launch to the present.

Since the business model of LINE GIFT is based on sales commissions rather than initial or monthly fees, the key to business growth is to increase the transaction value. To achieve this, it is important to raise awareness of the service further and reach wider users, and respond to a wider range of needs. Convenience for the users must be enhanced, by addressing a variety of occasions for sending gifts, whether it be to say thank you, or to mark a seasonal or major life event.
One of the most important elements in the strategy is the expansion of product lineup, and this is where the synergy of the Z Holdings Group truly comes into play. Rapid progress is being made at the moment in the linkage of services between Group companies, and the number of stores and products are on the rise.
In October 2021, a linkage in products and inventories between Yahoo! JAPAN Shopping and PayPay Mall began. Merchants with a store on either platform can now register their products and inventories to LINE GIFT, by making a product listing setting in Yahoo! JAPAN Shopping. More than 600 stores, including those under preparation, have started this system linkage. By linking with the two shopping malls which together offer approximately more than 400 million pieces of items, boasting a top-class selection of products in the Japanese e-commerce market, LINE GIFT's product lineup is expanding further.
Following this, Demae-can, one of the largest food delivery services in Japan, also opened a store on LINE GIFT on November 2, 2021. A "Demae-can Coupon" which can be used on the payment screen of Demae-can, is available to be purchased as an E-Gift. ZOZOTOWN has also opened a new store in LINE GIFT on November 24, 2021, accompanied by the launch of ZOZOTOWN Gift Points, enabling users to send ZOZO points as gifts, which can be used to shop on ZOZOTOWN. From November 29, 2021, ebookjapan started offering their gift coupons as E-Gifts, too.
In the future, offers will expand to include services by Ikyu.com, a reservation website specializing in high-end hotels and inns, and LOHACO, an e-commerce site for individual customers, operated by ASKUL. LINE GIFT evidently plays a key role in the expansion of Z Holdings Group's Commerce Business.



Since its launch in 2015 until the present, LINE GIFT has shown sharp growth. That said, social gifting is a market and culture yet to develop. In order to cultivate this new market, LINE GIFT aims to drive the momentum further with Z Holdings' synergy as the engine. Yoneda explains an element which is essential in achieving this:
"As we look to expand our product lineup, what I think is vital is the collaboration between the sales teams of Yahoo Japan and LINE. Members of Yahoo Japan's sales teams are already seconded to LINE, working as one team towards enhancing LINE GIFT's product lineup. For example, they are approaching merchants of Yahoo! JAPAN Shopping and PayPay Mall to suggest opening a store in LINE GIFT, to increase the number of member stores."

In the Japanese gifts market, which is estimated to be worth about JPY10 trillion, LINE GIFT is starting to show a strong presence. With regards to the future, Yoneda explains: "We aim to create a culture of social gifting by combining the new means of commerce which is LINE GIFT, with Yahoo Japan's sales know-how and system that it has developed, and its network with member stores. To achieve this, we will raise awareness of our service further, through campaigns and other initiatives."

Commerce Business of Z Holdings Achieving Growth, Centered Around Four Pillars

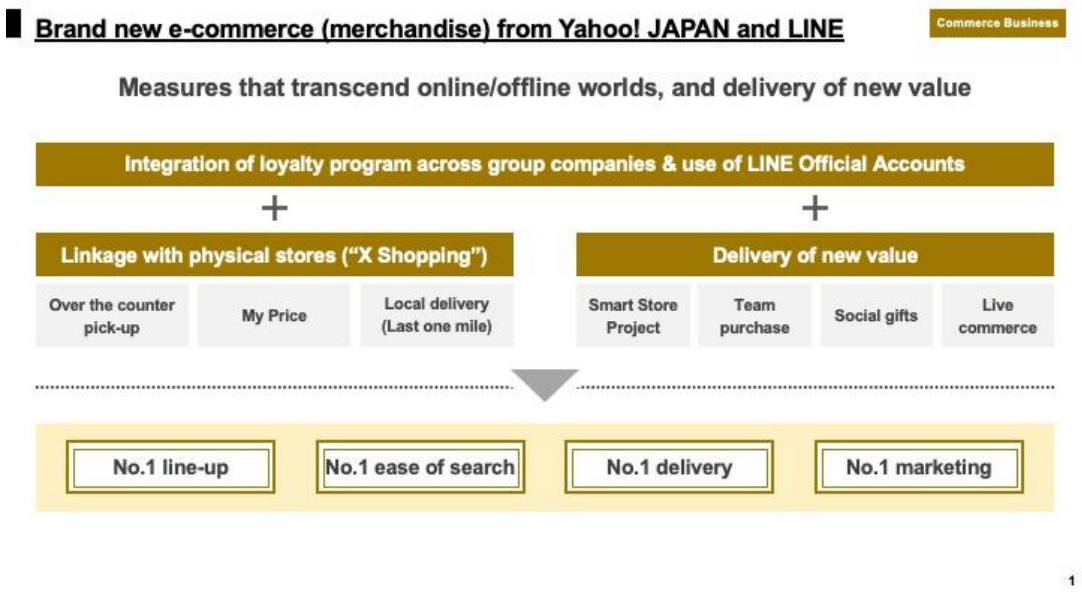
So far, we have looked at LINE GIFT as a one of the key strategies of Z Holdings' Commerce Business growth strategies. Now we turn our focus to the overall strategy of the Commerce Business, created through the integration with LINE.
The revenue of Z Holdings' Commerce Business in FY2021 was JPY840.2 billion (YoY +24.4%). Revenue from the Commerce Business in fact, accounts for 69.7% of all the businesses combined. Furthermore, the transaction value in the Shopping Business in FY2020 was JPY1.5 trillion, showing a YoY growth of 45.1% due to increased demands resulting from the COVID-19 pandemic. With the aim of becoming No.1 in merchandise transaction value in Japan in the early 2020s, Z Holdings aspires to maximize transaction value across online and offline platforms, while fine-tuning to values intrinsic to commerce, such as product lineup, ease of search, and punctual delivery.
After the business integration in March 2021, developing social commerce around LINE has been positioned as a growth driver, and efforts have been made to differentiate services from competitors, by offering new features and values. Along with LINE GIFT, new purchasing experiences built around

communication are being promoted: e.g., gift exchange experiences utilizing LINE's social graph (a graph representing online social relations and connections), and "team purchase" shopping experiences among friends and groups, which enable lower cost purchases.
Hajime Hatanaka, EVP, Corporate Officer, President of Shopping Services Group at Yahoo Japan Corporation explains:
"In our current businesses, we have been reinforcing collaboration between Yahoo! JAPAN Shopping, PayPay Mall, C2C services (YAHUOKU! and PayPay Flea Market), B2C business (LOHACO), and fashion e-commerce (ZOZOTOWN). Within these efforts, we are brushing up our overall service, organized around four pillars.
The first is to have a No. 1 product lineup, covering all possible products in the world. Second is to be No.1 in ease of search. Yahoo Japan is originally a web company, so ease of search has always been important to us. Through collaborations such as with LINE, and with NAVER which operates the online store creation service MySmartStore, we will absorb new technologies and knowledge to improve further our ease of search. The third pillar is to become No.1 in delivery. We have partnered with Yamato Holdings Co., Ltd. to enable fast and reliable delivery. The final pillar is to be No. 1 in marketing. Through the linkage with PayPay, a service with over 40 million users, we aim to create a sense of value within the overall commerce of Yahoo! JAPAN Shopping and PayPay Mall."

Hajime Hatanaka, EVP, Corporate Officer, President of Shopping Services Group, Yahoo Japan Corporation
Hajime Hatanaka joined Yahoo Japan Corporation in July 2003 and was involved in the planning and sales for Yahoo! JAPAN Shopping, before becoming Vice President in 2012. After concurrently serving as Vice President of Sales Division for Yahoo! JAPAN Travel and Yahoo! JAPAN Dining in April 2018, and being responsible for the promotion of PayPay, the smartphone payment service from May 2018, Hatanaka became Director of PayPay Corporation in June 2018. Hatanaka serves as EVP, Corporate Officer, President of Shopping Services Group at Yahoo Japan Corporation from October 2019, and concurrently serves as Director of ValueCommerce Co., Ltd. from March 2020.

In addition, Z Holdings is exploring new shopping experiences which transcends online and offline spheres. Realizing a physical store inventory service, which seamlessly connects the product data of online and physical stores, allowing users to purchase flexibly in the place of their choice, is one such example. At present, online and physical inventories are often cut apart. This means that even if an item that is sold-out online is available offline, it cannot be purchased. By removing such barrier between e-

commerce and physical stores, Z Holdings aims realize a world where users can obtain what they need when they need.



By leveraging its group synergy, Z Holdings strives to open up new business areas to support individuals solve problems, and to help bring richness and convenience to their life. Introducing social commerce to the society, as demonstrated by LINE GIFT, is a perfect example of such new value creation. Drawing on a diverse portfolio, the Group's efforts will continue to propose new forms of convenience and richness to the society, thereby creating a new commerce experience and ecosystem.

Related link

- LINEギフト、最新のユーザー属性や利用動向を公開(Japanese only)
- LINE GIFT, Yahoo! JAPAN Shopping and PayPay Mall Begin Linkage in Products and Inventories
- LINE ギフトに「出前館」が新規出店！(Japanese only) PDF
- ZOZOTOWN Now Available on LINE GIFT Enabling ZOZO Points to Be Sent as E-Gift from November 24

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