Outline of Q&A Session at the Briefing on FY2026 Q2 Business Results

(Held on November 5, 2026)

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Guidance Revisions

Q: Could you explain the background and drivers behind the revisions to adjusted EBITDA guidance for the Media and Commerce businesses?

A: In the Media Business, we revised our full-year search advertising revenue forecast from approximately 5% year-on-year decline at the start of the year to approximately 6% decline. For display advertising, we changed our forecast from 3%–4% growth to approximately 5% decline. We raised adjusted EBITDA guidance because LYP Premium membership performed better than initially expected, and synergies with SoftBank Group on LLM-related expenses, which were not included in our initial assumptions, materialized. These factors improved our gross profit mix and reduced costs.

For the Commerce Business, the main reasons for revising revenue guidance were the difficulty of forecasting ASKUL's recovery at the beginning of the year and our conservative assumptions for newly consolidated LINE MAN. We also raised adjusted EBITDA guidance based on the progress of these two companies.

In the Strategic Business, we lowered revenue guidance because we expect new businesses other than PayPay and LINE's financial businesses to expand less than initially anticipated. As PayPay explained yesterday, a higher share of online rather than offline payment volume improves the take-rate mix in the payments business. We also expect PayPay Bank's earnings to exceed our initial forecast, reflecting expanded lending and higher interest rates. We therefore revised the guidance.

Q: Although search advertising revenue guidance was lowered, Q2 recovered more than expected. Was this driven by AI search revenue, or was Q2 temporarily strong, with larger declines expected from Q3 onward? At the beginning of the year, AI search was expected to boost revenue in the second half. How does the current outlook differ from that assumption?

A: Advertising unit prices performed well in Q2, but it is uncertain whether that level will be sustained. We expect revenue growth from Q3 onward to return to a rate similar to Q1. We regard this fiscal year as a testing phase for AI search and aim to scale it to a meaningful level of revenue in FY2027.

Q: Could you explain in more detail why display advertising performance diverged from the initial forecast?

A: We previously ran video ads on the VOOM tab in LINE, but advertising placements disappeared when we replaced it with the Shopping tab. We initially expected the Home tab in LINE to offset the lost VOOM tab revenue, but it has not yet done so. This accounts for approximately one-third of the downward revision. The remaining two-thirds reflects the integration of the LINE and Yahoo! JAPAN display advertising platforms. Some clients optimized their budgets after the back-end systems were integrated, negatively affecting display advertising revenue. Our sales teams are following up with these clients, but we expect conditions to remain difficult through the second half and have adopted a conservative forecast.

Q: This year's adjusted EBITDA guidance indicates strong growth of more than 20% year on year, whereas the

medium-term expectation was growth in the high single digits. Has the underlying earnings growth potential improved enough to support double-digit growth next year as well? Do you expect faster revenue growth rather than cost improvements to be the main driver?
A: We consider a high-single-digit year-on-year growth assumption conservative and believe we can maintain growth of at least 10% next fiscal year. We will continue reducing fixed costs using AI. Earnings are growing, particularly in the Commerce Business, and we also expect revenue contributions from LYP Premium membership and account advertising in the Media Business.

Q: The revision to guidance for Other and Adjustments appears to imply an increase in second-half profit of JPY12.0 billion. What explains this?
A: We expect the companywide cost reductions implemented in the first half to continue benefiting the second half. Savings not recognized in individual business segments should contribute to Other and Adjustments.

FY26Q2 Business Results

Q: Profit for Q2 fell 60%. Apart from tax-related factors, were there other reasons for the decline? Adjusted EPS guidance was also raised. Are any one-off items expected in the second half?
A: The previous year's profit included two one-off gains. The first was a JPY44.3 billion remeasurement gain related to LINE MAN, which was also recognized in operating income. The second was a gain of approximately JPY19.0 billion at PayPay due to a reduction in corporate income tax from tax effects. These items totaled JPY63.3 billion. Excluding them, underlying profit increased 32% year on year.
We raised adjusted EPS guidance solely to reflect the upward revision to adjusted EBITDA guidance, not because we anticipate any one-off items.

Q: Q2 adjusted EBITDA increased JPY26.0 billion year on year, but the increase at LY Corporation itself was JPY10.4 billion. Media revenue grew only 1.9% year on year, and shopping transaction value rose just 0.7%, suggesting much of the profit increase came from cost reductions. How should we assess revenue growth at LY Corporation itself? Is it fair to expect Agent i to contribute starting next fiscal year? Strong underlying growth at LY Corporation is difficult to see.
A: Structural changes across our businesses are increasing revenue while containing costs. The Media Business faces challenges in search advertising and other areas, but the reforms undertaken in anticipation of these challenges are progressing steadily. We have established a structure that allows the Media Business to increase profit, primarily through account advertising. In the Commerce Business, despite some temporary factors, revenue is progressing steadily. Its structural transformation is supporting healthy growth in user numbers and transaction value. In the Strategic Business, financial services in Asia are growing alongside PayPay, and structural changes across these businesses are also reducing costs.

Tender Offer for Kakaku.com

Q: Can you comment on Kakaku.com? Its valuation already exceeds 30 times, whereas historically it has generally peaked at around 30 times. Is there a concern about paying an even higher multiple?
A: We are currently awaiting the decision of Kakaku.com's special committee and EQT's next steps. Even the lower end of our proposed price exceeds EQT's offer. We believe Kakaku.com's assets are important in the AI era. Its financial results show strong growth at tabelog and Kyujin Box. Even at the current price, the investment meets

our required internal rate of return of 10%, and we regard these assets as valuable.

AI Agents (Agent i)

Q: Regarding Agent i monetization, what scale and timeline do you envision, and how do you see the revenue balance between business and consumer customers? You have also begun monetizing agent-based advertising in display and shopping ads. How is the initial response, what are the bottlenecks, and what is the outlook?
A: Agent i is still at the stage of encouraging user adoption, and we continue to test which monetization methods will become central. Our basic approach is to engage users at the entry point and deliver an excellent experience at the conversion point, enabling them to complete their activities within our ecosystem. We therefore expect to monetize both the entry point and the conversion point. Monetization models are not yet established across the industry, so we intend to invest in areas that show promise as we continue testing.

Q: As AI adoption advances through Agent i and other services, competition is intensifying with the emergence of more advanced products such as Muse. Could this create headwinds, particularly for sales in the Media Business?
A: When we launched Agent i in April, we expected consumer AI agent services to emerge, so developments have been in line with our expectations. We view the expansion of the market positively. Dots and Muse are increasingly being connected to Gmail and other email and calendar applications, but similar integrations are possible with LINE. Connecting external services for actions such as purchases and reservations can be challenging, whereas our group owns conversion points that allow us to connect these experiences seamlessly. We are developing various services quickly and linking them to Agent i, and intend to capitalize on this competitive advantage.

Q: If AI agent services from other companies become widespread, would you need to fundamentally rethink your growth strategy? Could this also lead to revisions to guidance?
A: We regard this as an area in which we intend to drive substantial growth ourselves. We believe the key assets are networks of restaurants and other businesses in local markets, review data, and relationships with vertical service providers. Our competitive advantage lies in combining entry points such as Yahoo! JAPAN and LINE with these business networks and data. Even if many AI agents compete, monetization remains possible by leveraging vertical networks and data. We will pursue a dominant share for Agent i while also considering alternative approaches.

Media Business

Q: Was the acceleration in LYP Premium membership revenue growth driven by acquisitions through LINE and the Netflix channel? Membership appears to support Media Business revenue while potentially reducing promotional spending in Commerce, creating groupwide synergies. We also see greater emphasis on synergies across SoftBank Group, including personnel initiatives. Should we expect more benefits of this kind?
A: LYP Premium membership has grown steadily thanks to features such as message unsending. Feature-based benefits also help reduce churn, allowing the member base to accumulate. Strong retention reflects enhanced LINE benefits and expanded Netflix content.
We see this as healthy growth because users join for LINE's features rather than points rebates and value the convenience of our proprietary functions. We offer the service free to SoftBank users, creating a positive cycle in which they use LINE more and increasingly use our commerce services. LYP Premium members also receive higher PayPay Points rewards, encouraging greater PayPay payment activity. We are discussing with SoftBank

how to promote cross-service usage throughout the group.

Q: The growth forecast for account advertising remains unchanged. What is the breakdown? Mini apps and digital transformation solutions for stores were launched around the end of Q1. Can you share their quantitative contribution and early traction?
A: The number of paid accounts continues to rise, with more small-business clients. Growth in Japan is the main driver. Thailand remains challenging because of government-led regulation and weak economic conditions. Taiwan is performing well, as is Japan, and we plan a pricing revision, so growth of around 15% year on year is achievable. Monthly active users of LINE MINI App are progressing in line with the FY2028 target we disclosed. For digital transformation solutions for stores, sales activities and installation work are still underway, so we are not disclosing revenue or the number of stores using the service. We expect momentum to build.

Q: Are there bottlenecks in your digital transformation initiatives for stores? You mentioned restaurant sales relationships in connection with the tender offer for Kakaku.com. Does that suggest challenges in sales or related areas?
A: As a later entrant, replacing systems already installed at stores takes time, but this is consistent with our expectations. As we accumulate expertise, we expect to shorten implementation times and increase adoption. Catching up on functionality takes time, so we are not yet at the stage of rapidly expanding sales resources. Productivity per salesperson has reached our initial target. We believe we can scale the business by expanding functionality and then allocating additional resources.

Commerce Business

Q: Following the revisions to Yahoo! JAPAN Shopping's plans, Rakuten has announced that it will raise merchant fees by 40% next year. Will you keep fees unchanged to gain market share, or increase them further to improve profitability? If Agent i is used for purchases, could transaction commissions conflict with Muse? What is your strategy in the competition among shopping agents?
A: We revised Yahoo! JAPAN Shopping's plans in anticipation of the medium-term spread of agentic commerce. Our model previously relied on advertising, but as purchases increasingly occur through unpredictable interfaces, we concluded that compensation based on results would be more appropriate. We introduced monthly merchant fees partly because maintaining security and hosting product information entail costs. The new plans provide an appropriate commission model. Rather than pursuing higher profitability than necessary, we intend to expand agentic commerce on our own platforms and connect Yahoo! JAPAN Shopping to external agentic commerce services, growing scale at our current level of profitability.

Q: What drove the increase in Commerce Business transaction value? Can the Reuse Business maintain growth of slightly more than 10% year on year?
A: Growth reflects a combination of factors, including inflation. With prices rising around 2%, average purchase value has increased by roughly the same amount. Buyer numbers are also rising in both shopping and reuse, supported by growth in LYP Premium membership and PayPay users. We believe our share of transaction value in the e-commerce market is increasing. As AI begins to have an impact, we expect higher usage frequency and new-user acquisition, with benefits accumulating from next fiscal year onward.
We aim to maintain double-digit growth in reuse. Cross-border e-commerce transaction value continues to grow

as the yen weakens, while inflation is increasing demand among users in Japan for affordable products. We expect these market conditions to persist.

Other

Q: Do you expect security costs to rise further? What is your overall direction and approach?

A: As cyberattacks become more sophisticated, we will continue to increase security spending to some extent. We are advancing AI-powered assessments and testing, and costs—including AI token expenses—are expected to rise. These increases are already reflected in our revised guidance.

Q: Is there room for further profitability improvement as AI adoption progresses? Which areas specifically offer opportunities?

A: AI is increasingly automating engineering and outsourced work, and we expect further efficiency gains. Personnel and outsourcing expenses may be reduced. Unless the business model changes significantly, however, we do not expect major changes in cost of revenue.