

**Z Holdings Corporation**

**Business Integration with LINE Corporation**

**Strategy Briefing**

**March 1, 2021**

**Z HOLDINGS**

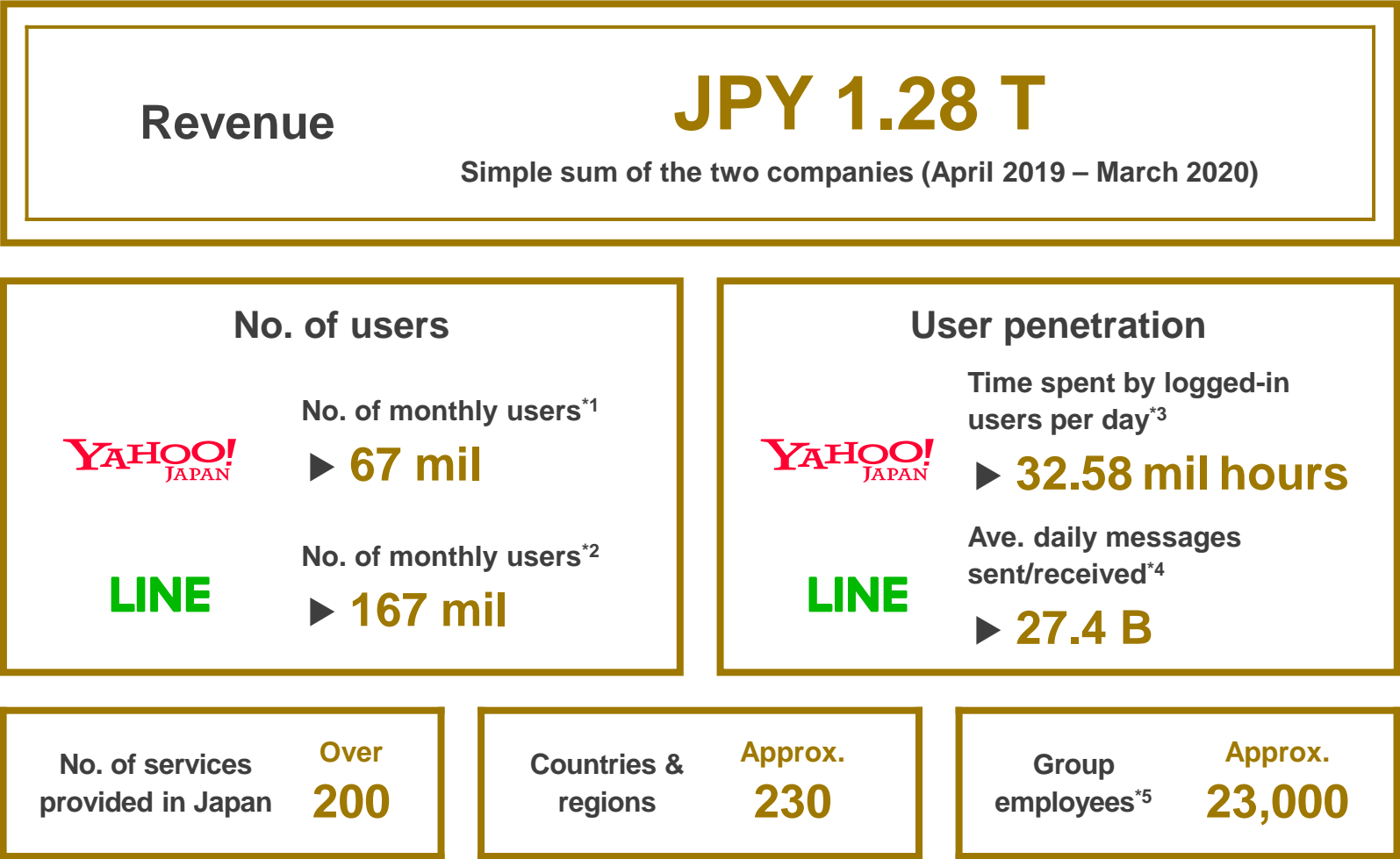
**1 New Z Holdings – Overview**

**2 Business Strategy**  
**Medium-term Management Index & Financial Strategy**

**3 Group Management Structure**

# **1. New Z Holdings – Overview**

New Z Holdings (ZHD) Group – Business scale



\*1 Nielsen “TOPS OF 2018: DIGITAL IN JAPAN”: Top 10 Total numbers of digital users in Japan

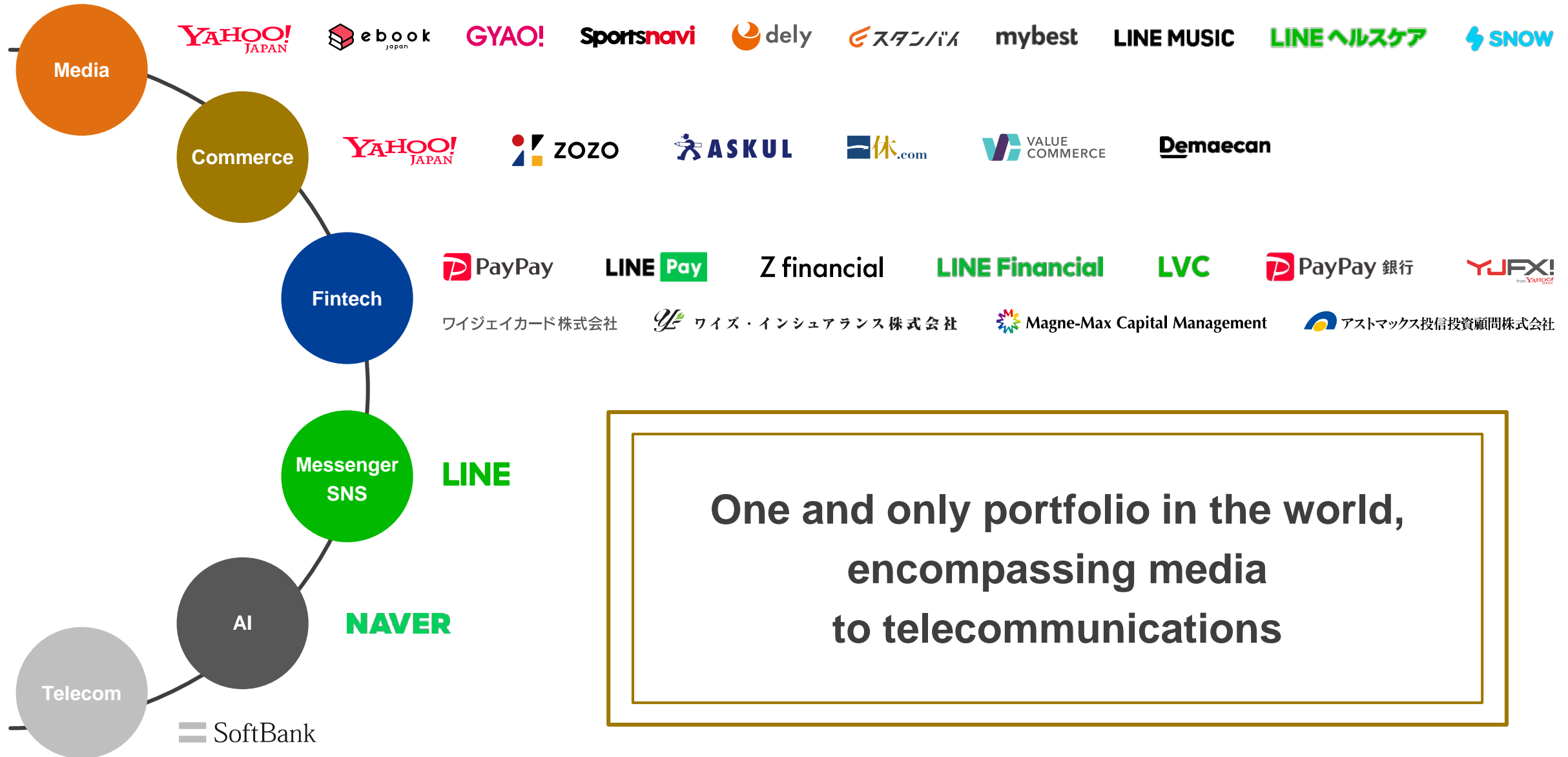
\*2 Total no. of monthly users in four countries and regions (Japan, Taiwan, Thailand, Indonesia) as of September 30, 2020.

\*3 Time spent by logged-in users per day in 2020 (January - December)

\*4 Average daily messages sent & received globally in 2020 (January - December)

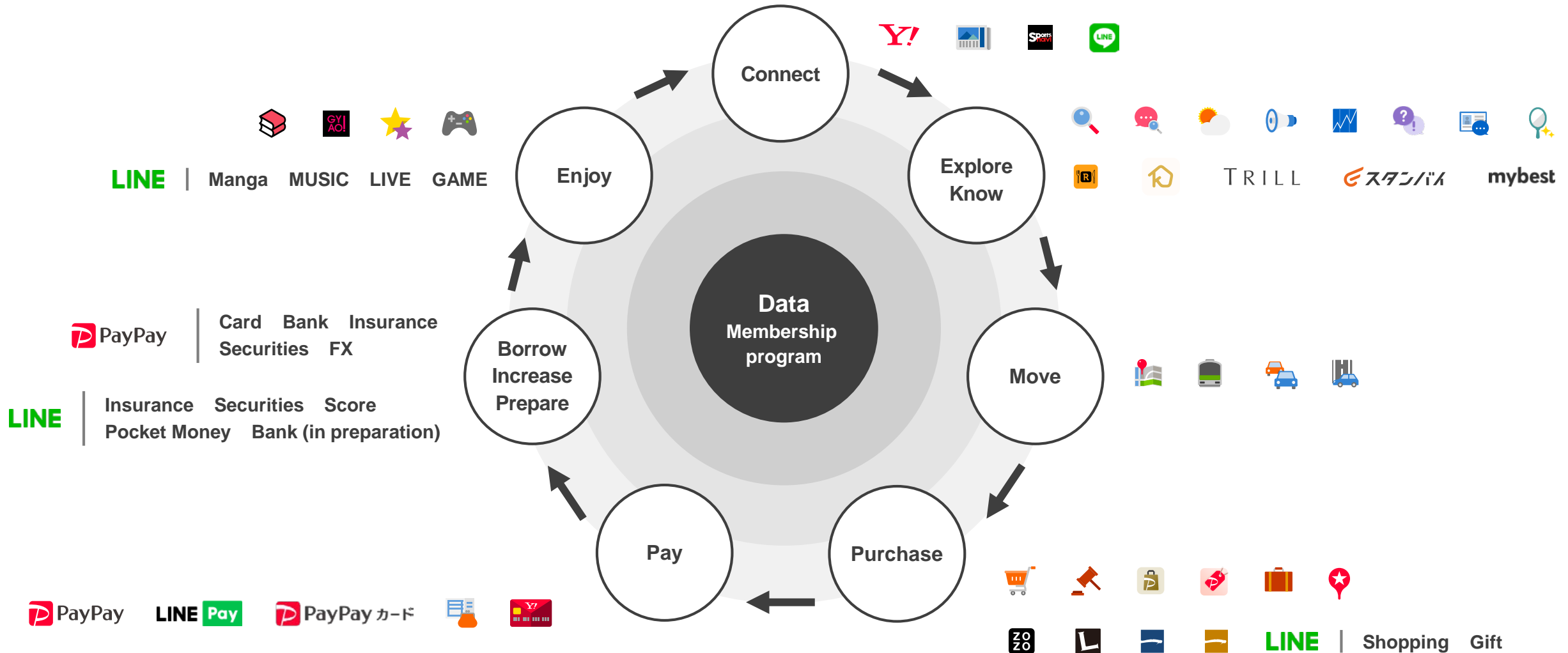
\*5 Sum of consolidated number of employees of Z Holdings Corporation as of March 31, 2020 and consolidated number of employees of LINE Corporation as of October 31, 2020

## New ZHD Group – Uniqueness (Source of value creation)

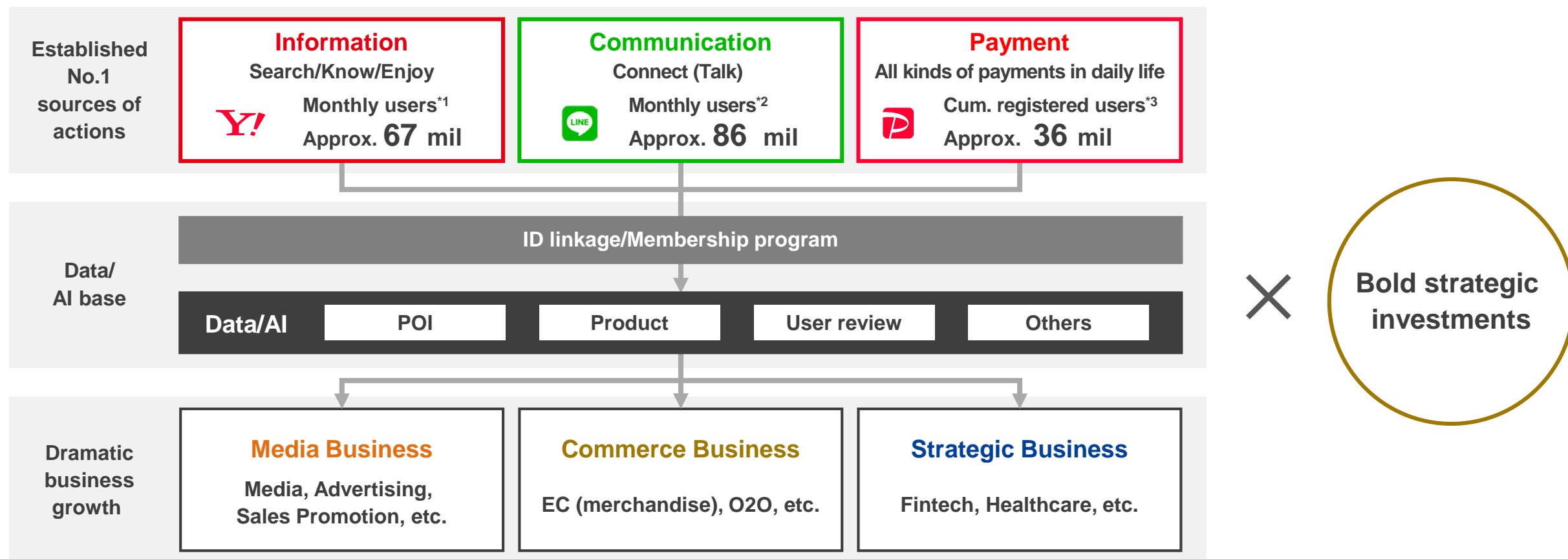


## New ZHD Group – Uniqueness (Process of value creation)

### Create a unique ecosystem through deeper collaborations between services



**Aim for a dramatic business growth through bold strategic investments mainly around the 3 “sources of actions”**






\*1 Nielsen “TOPS OF 2018: DIGITAL IN JAPAN”: Top 10 Total numbers of digital users in Japan

\*2 No. of monthly users in Japan as of September 30, 2020.

\*3 As of February 28, 2021

## Robust approach to growing markets by “Strongest Assets” × “Strategic Investments,” maintaining EBITDA growth

- 1 Japan's Strongest Asset**  Information ×  Communication ×  Payment  
Unparalleled reach and engagement with Japanese Internet users from 3 sources of actions
- 2 Bold strategic investments**  
Execute JPY 500B investments in 5 years mainly in Data × AI
- 3 Increase market share in current markets & create new markets**  
Expand market share & target market through integration synergies
- 4 Finance strategy & group governance to maximize shareholder value**  
Appropriate financial discipline, and experienced management team & independent outside directors

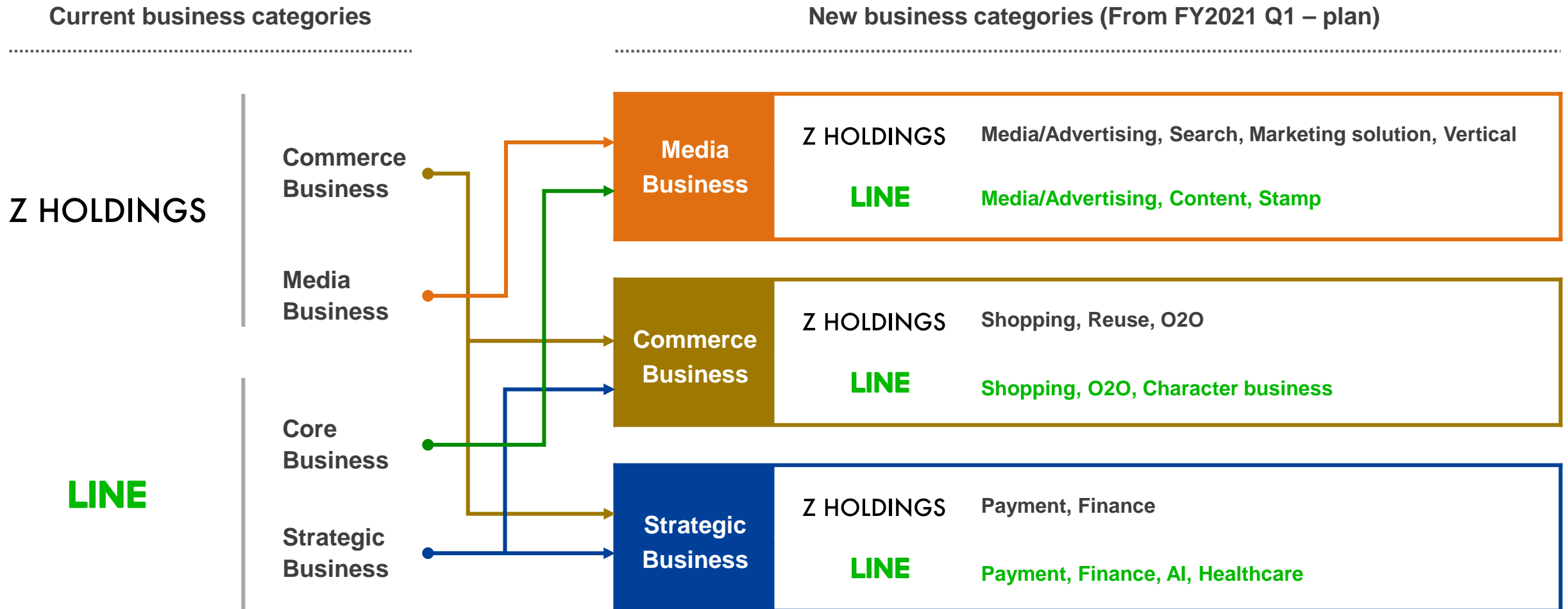


## **2. Business Strategy**

**Medium-term Management Index & Financial Strategy**

## New business categories (plan)

# Introduce 3 new business categories: Media, Commerce & Strategic by classifying businesses depending on its growth phase



## Management index & targets by businesses

### Group-wide target

**Aim to achieve existing medium-term target (op. income) and set a new mid-long topline target despite bold strategic investments**

- FY2023 Revenue: JPY 2T
- FY2023 Adjusted EBITDA: JPY 390B  
(equivalent to op. income: JPY 225B)

### Media Business

**Pursue full-funnel,  
one-on-one marketing**

- Ad revenue: aim for YoY double-digit growth (including sales promotional solutions, etc.)
- Adjusted EBITDA margin: 40-50% as a guide

### Commerce Business

**Aim to maximize transaction value in both online & offline domains while refining fundamental value**

- Aim to become No. 1 in domestic EC (merchandise) transaction value in early 2020's
- Strengthen customer attraction and social commerce using LINE; our new growth driver

### Strategic Business

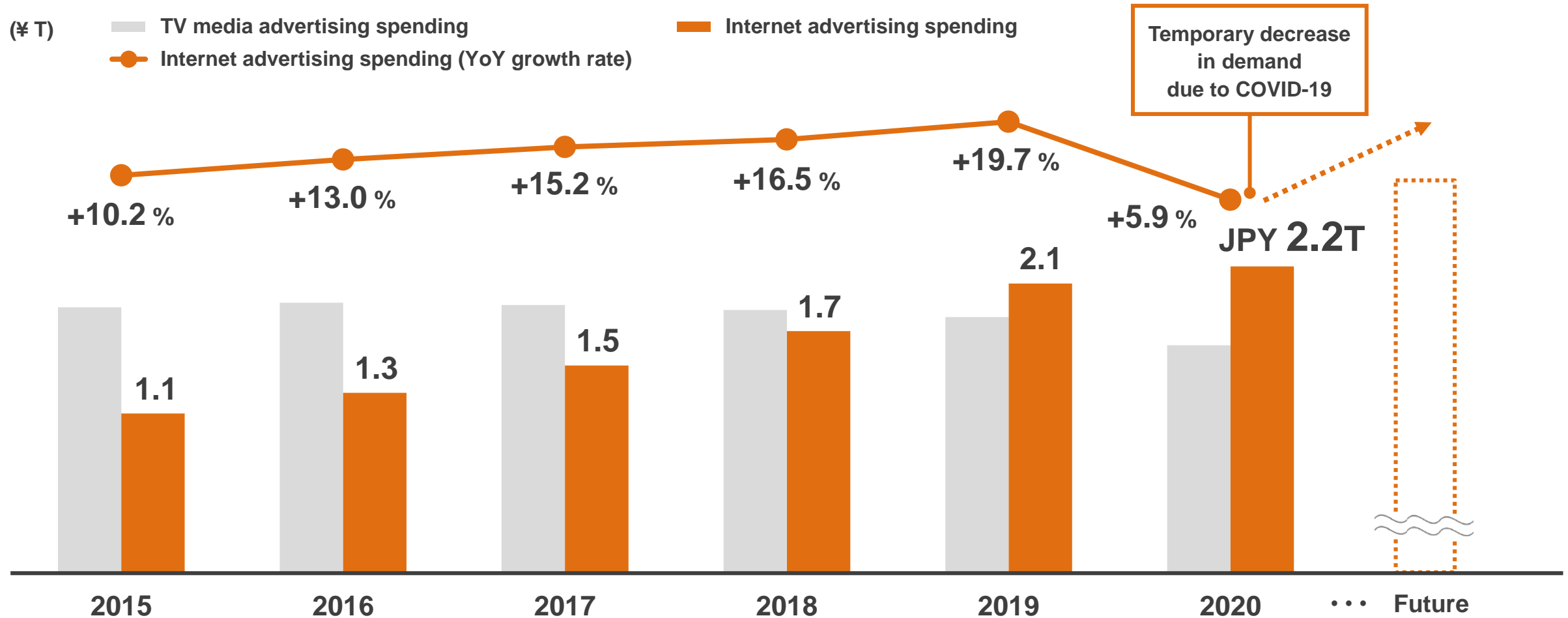
**Create new revenue pillars mainly in Fintech**

- Achieve over YoY+20% revenue growth
- Aim for a size of JPY 100B in adjusted EBITDA in future years

# Media Business

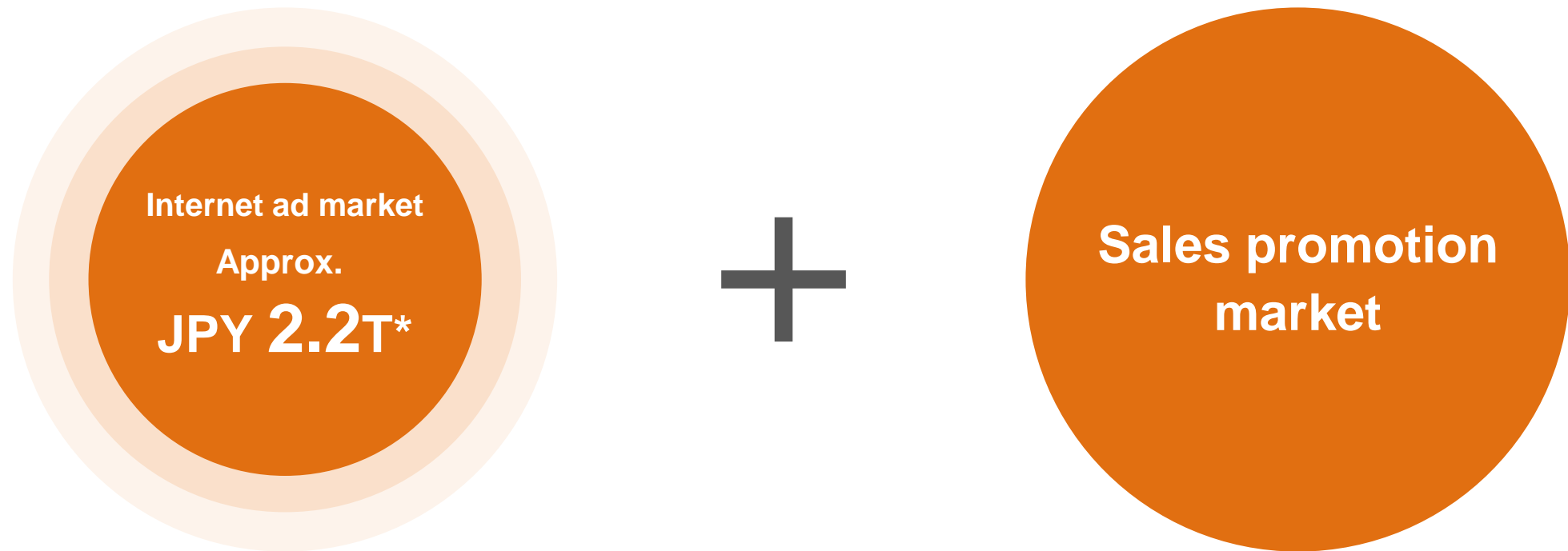
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## Increase market share with integration synergies in the growing Internet ad market\*



\* 2020 Advertising Expenditures in Japan, Dentsu Inc

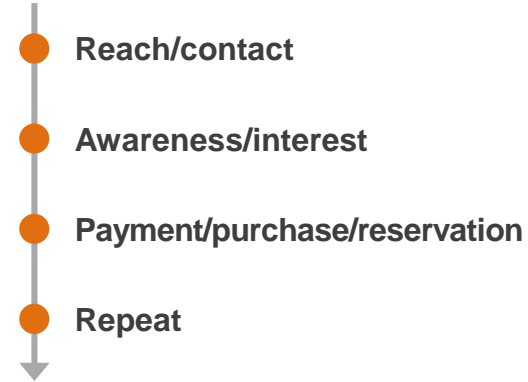
## Newly capture sales promotion market, leveraging robust group assets



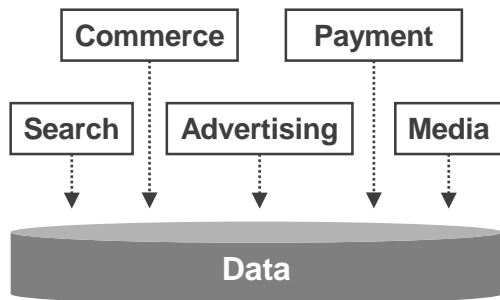
## Unique assets not available in competitors



Unparalleled reach in  
cross devices



Group services that  
encompass full-funnel



Full use of data  
in group ecosystem

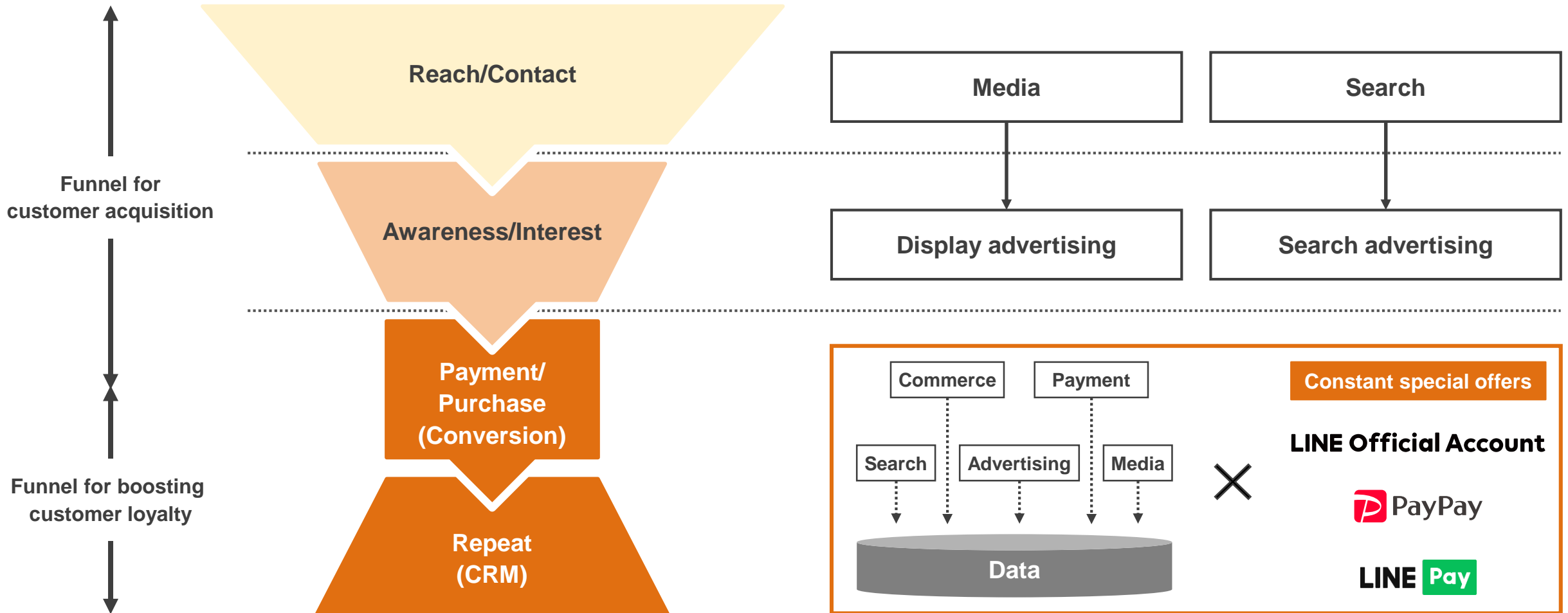
Y! 67 mil\*

LINE 86 mil

P 36 mil

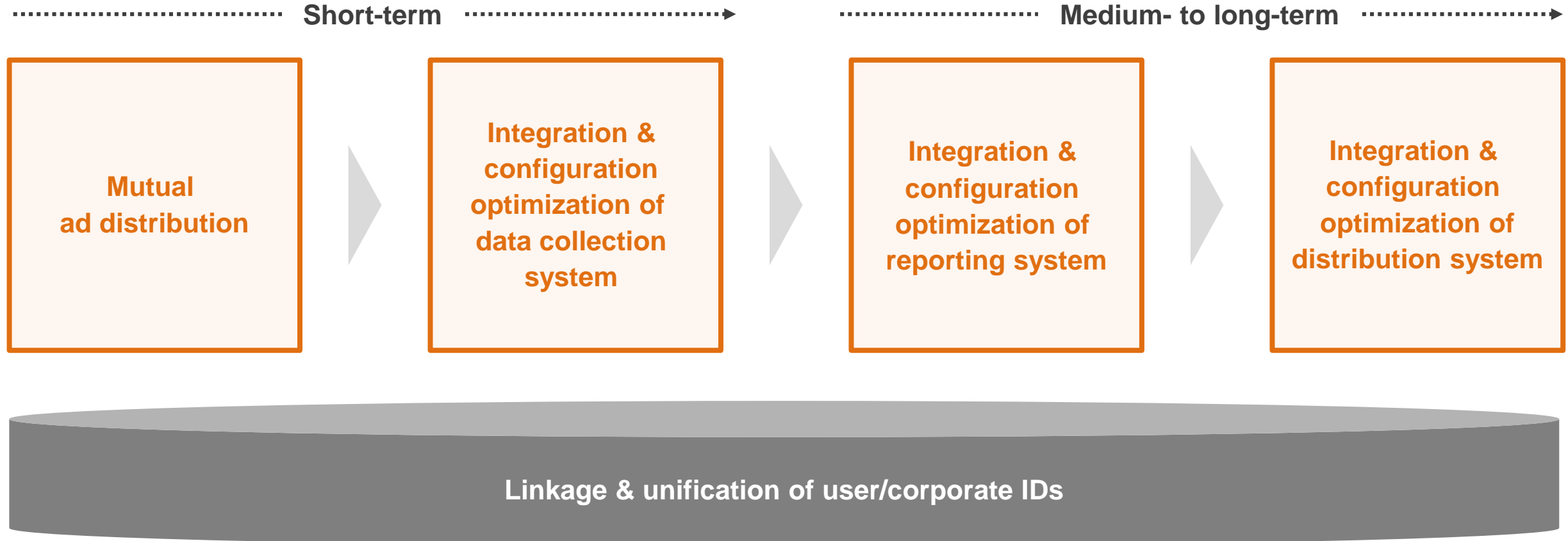
One of the largest user  
base in Japan

In addition to full-funnel marketing, pursue one-on-one marketing with best-suited proposals for each user





## Raise ad value through mutual linkage of data & ad platforms



## Pursue full-funnel, one-on-one marketing

### Management index/Major KPI

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- Double digit growth in advertising revenue (including sales promotional solutions, etc.)
- Adjusted EBITDA margin 40-50% as a guide
- Capture the sales promotion market and create a new revenue pillar leveraging integration synergies

### Major strategic investment

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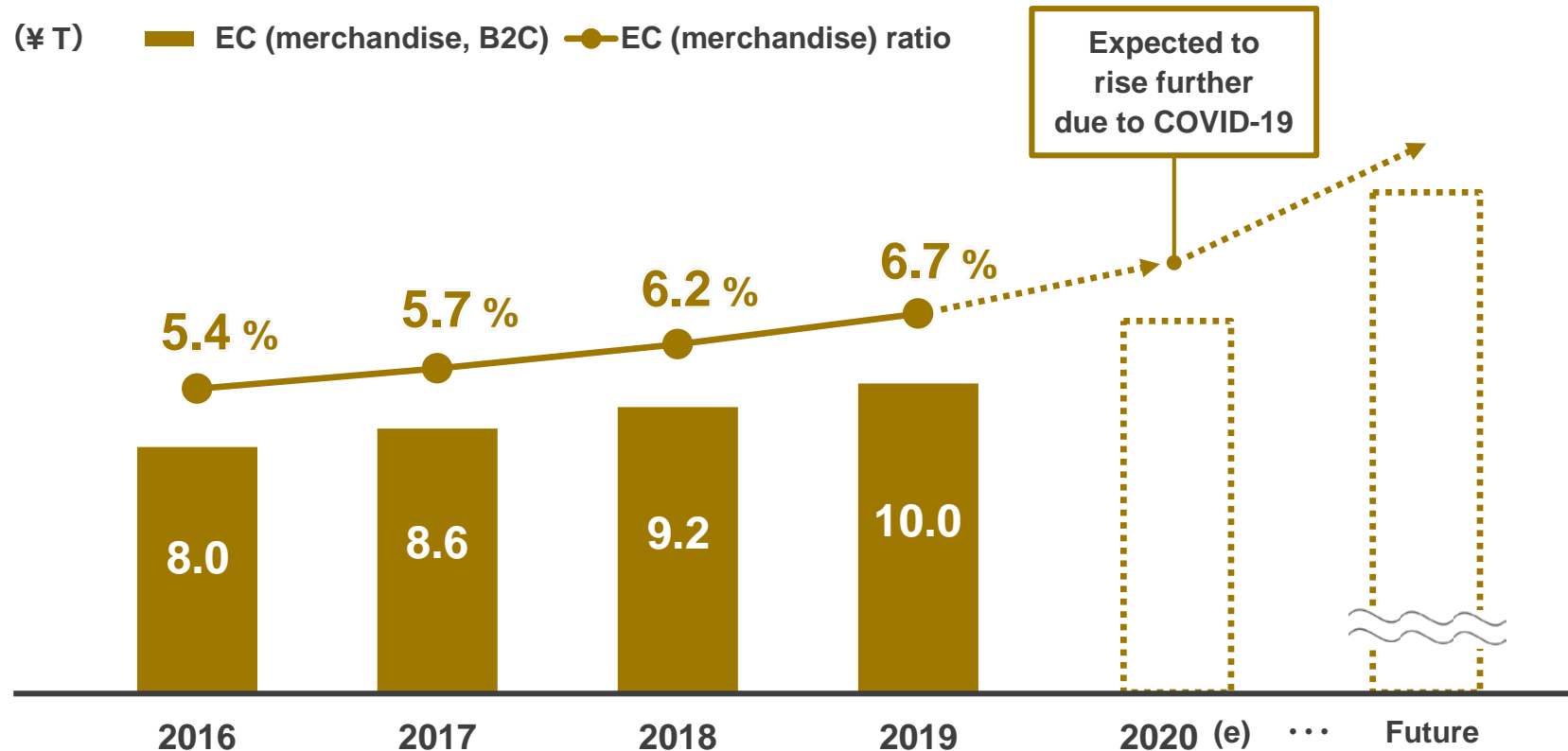
- Mainly invest in strengthening of advertising platform & system base, and in talent acquisition

# Commerce Business

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# Increase share in the expanding EC market by introducing services leveraging synergies

EC (merchandise, B2C) market size and EC (merchandise) ratio\*1



EC ratio\*2 of other countries (2020)

World average 18.0%



44.8%



21.4%



14.4%

\*1 Ministry of Economy, Trade and Industry, "Market Research on Electronic Commerce Transactions"

\*2 Insider Intelligence Inc. eMarketer "Global Ecommerce Update 2021", reported on Jan 13, 2021

## Leveraging robust group assets, also capture offline consumer market



## Measures that transcends online/offline worlds, and delivery of new value

Integration of loyalty program across group companies & use of LINE official accounts

+

### Linkage with physical stores (“X Shopping”)

Over the counter  
pick-up

My Price

Local delivery  
(Last one mile)

+

### Delivery of new value

Smart Store  
Project

Team  
purchase

Social gifts

Live  
commerce



No.1 line-up

No.1 ease of search

No.1 delivery

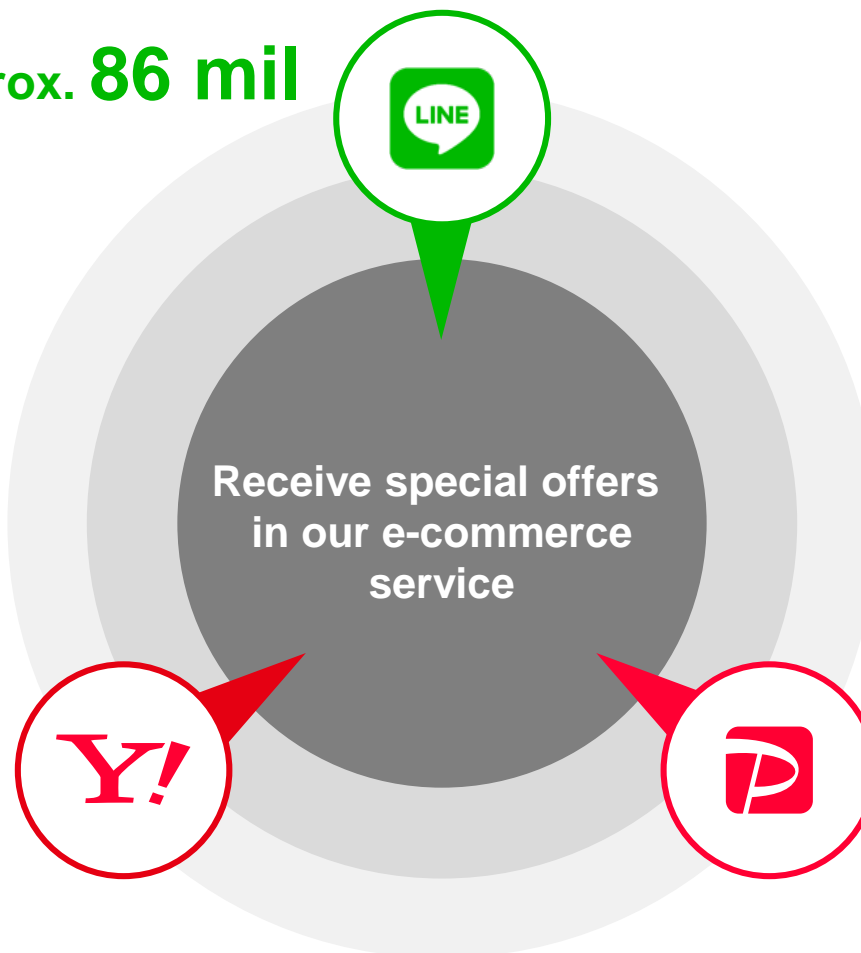
No.1 marketing

Aim to become No. 1 in EC (merchandise) transaction value in Japan by early 2020's

## Expanding the ecosystem by encouraging mutual use of services from three sources of actions

No. of monthly users approx. **86 mil**

No. of monthly users  
approx. **67 mil\***



Cumulative registered users  
approx. **36 mil**

## Popularize new purchase experience using LINE, develop into future growth driver of transaction value

### Smart Store Project

To be launched in CY2021 H1

Provide total EC solutions to major companies & SMEs, and develop EC market in own domain

#### Construction/operation of EC website

- ▶ Free store opening /registration/management
- ▶ Intuitive/simple store construction

#### Customer service function

- ▶ Link with LINE official account
- ▶ Notification & inquiry response

#### Analysis function

- ▶ Provide own analysis tool

#### Traffic referral within group

- ▶ Link with Yahoo! JAPAN Shopping, PayPay Mall, etc.

### Team purchase



Shopping at low cost through team purchase among friends, group

### Social gift



Gifts for b-days, seasonal events using LINE's social graph

### Live commerce



Product introduction by influencers using LINE's live distribution system



## New measures merging online & offline worlds

### Over the counter pick-up

Link with inventories at physical stores  
Provide multiple options for purchase & pick up



- Order online, home delivery
- Reserve and pick up at physical store
- Home delivery from nearby physical store

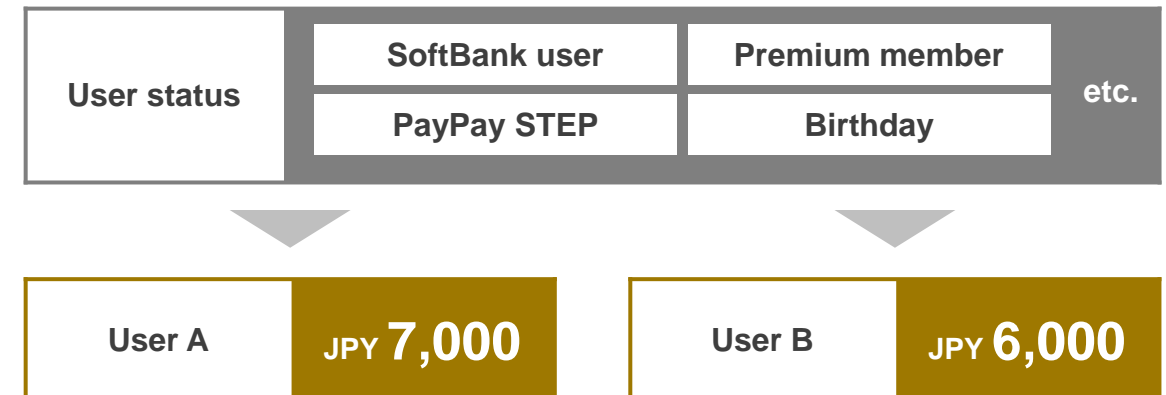
※Illustrative purpose only

### My Price Initiative

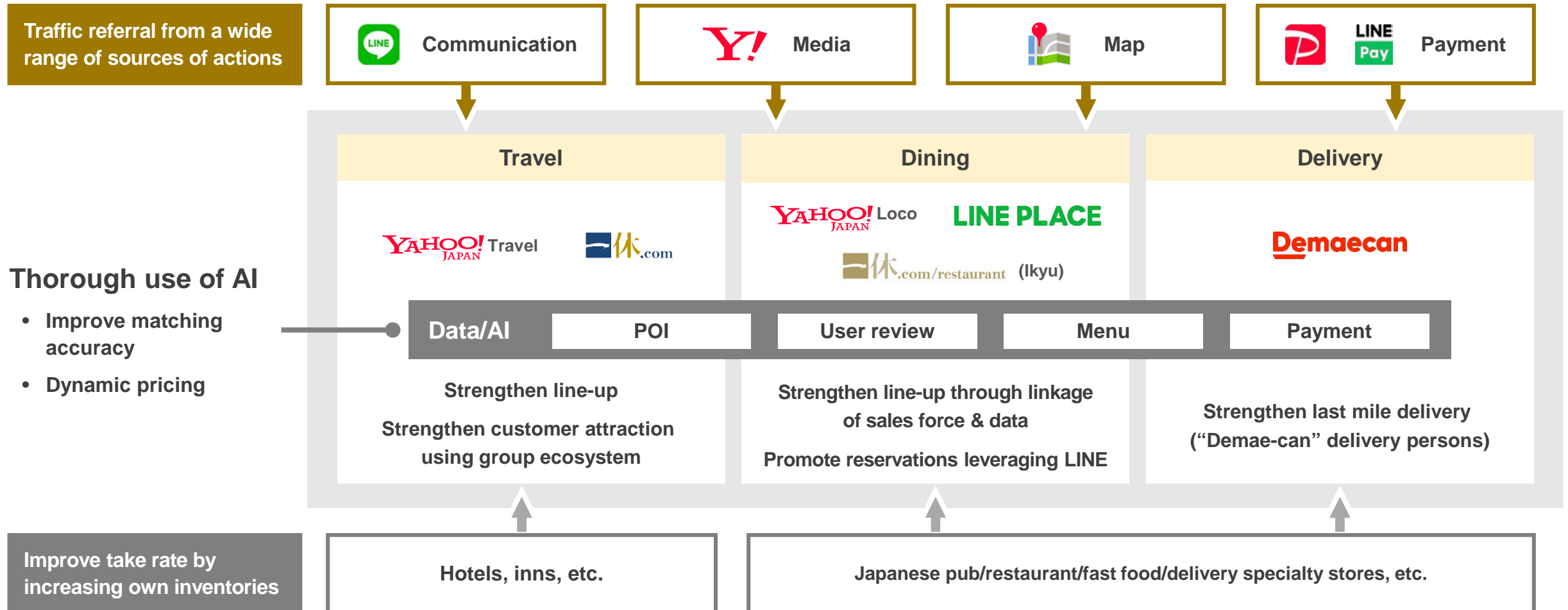
Regardless of online/offline purchase, retail price fluctuates according to user status



Regular retail price: JPY 10,000



## Popularize new purchase experience using LINE, develop into future growth driver of transaction value



## **Aim to maximize transaction value in both online & offline domains while refining fundamental value**

### **Management index/Major KPI**

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- **Aim to become No. 1 in EC (merchandise) transaction value in Japan**
- **Strengthen customer attraction and social commerce using LINE; our new growth driver**

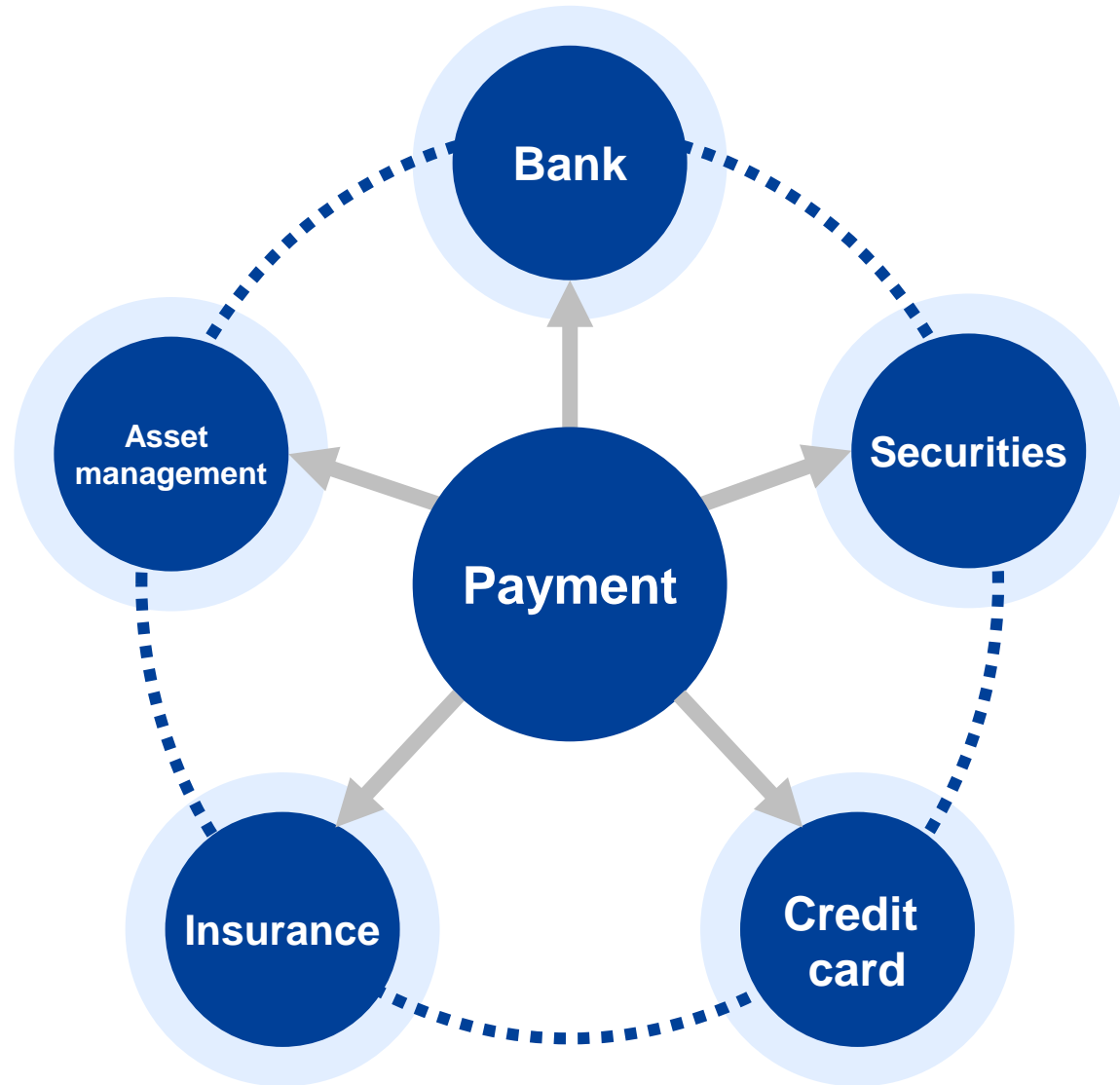
### **Major strategic investment**

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- **Execute strategic investments to expand customer base, increase loyal customers and strengthen logistics**

**Strategic Business**

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**Create “new” market  
around Fintech**

**To monetize, expand financial  
services from “Payment”**

# Integrate domestic QR/bar code payments to PayPay\*1

## Continue to aim to grow LINE Pay in major Asian countries



Cumulative registered users in Japan  
approx. **36 mil**\*2



Cumulative international registered users  
approx. **17 mil**\*2

### Domestic

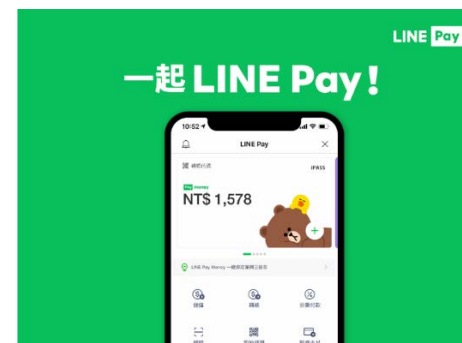
Began discussions to integrate PayPay & LINE Pay to PayPay (target: April 2022)\*1



Enable use of  
PayPay  
from LINE Wallet

### International

Continue providing LINE Pay services  
Aim to grow in major Asian countries



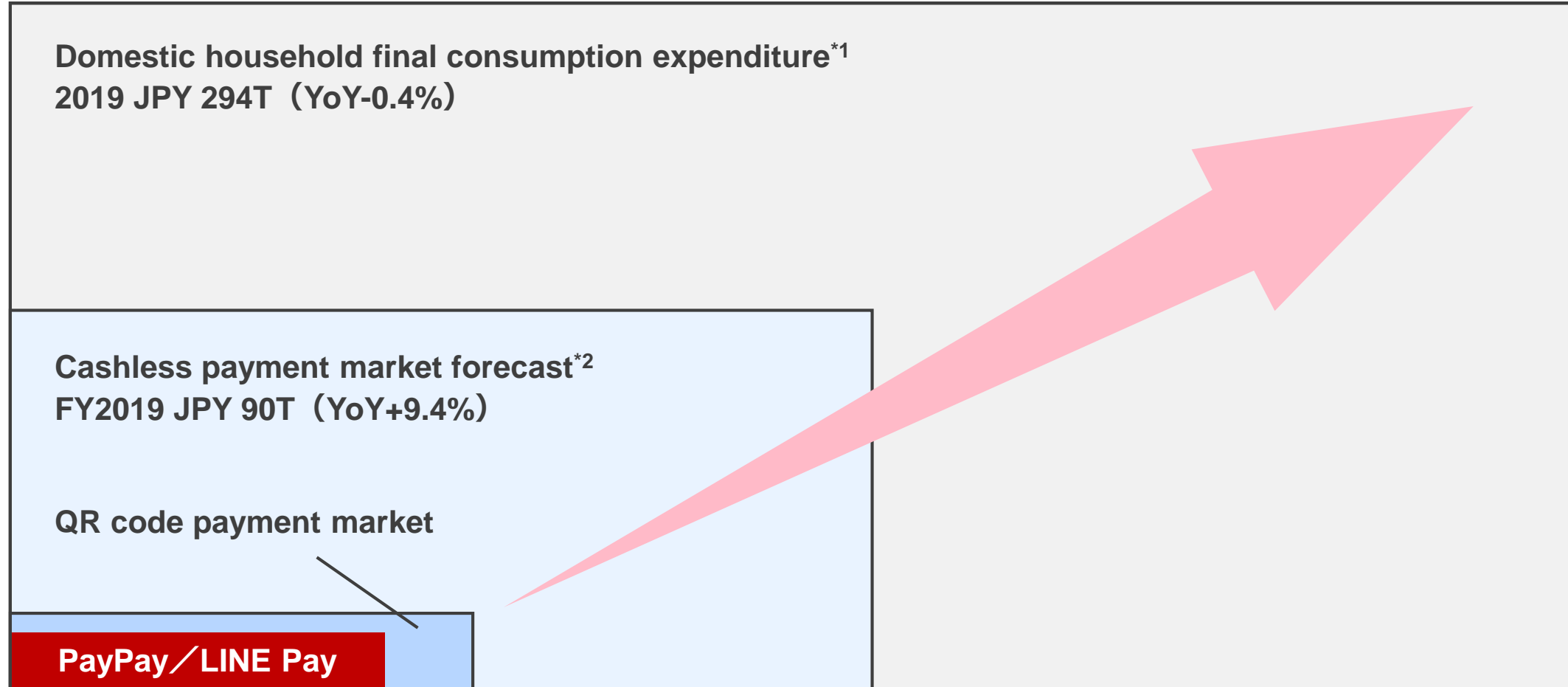
Already enjoys strong reach in major  
Asian countries (esp. Taiwan)

From late April, 2021 LINE Pay will be able to use PayPay QR code payment

\*1 Subject to completion of necessary procedures, including relevant registrations and approvals.

\*2 As of February 28, 2021

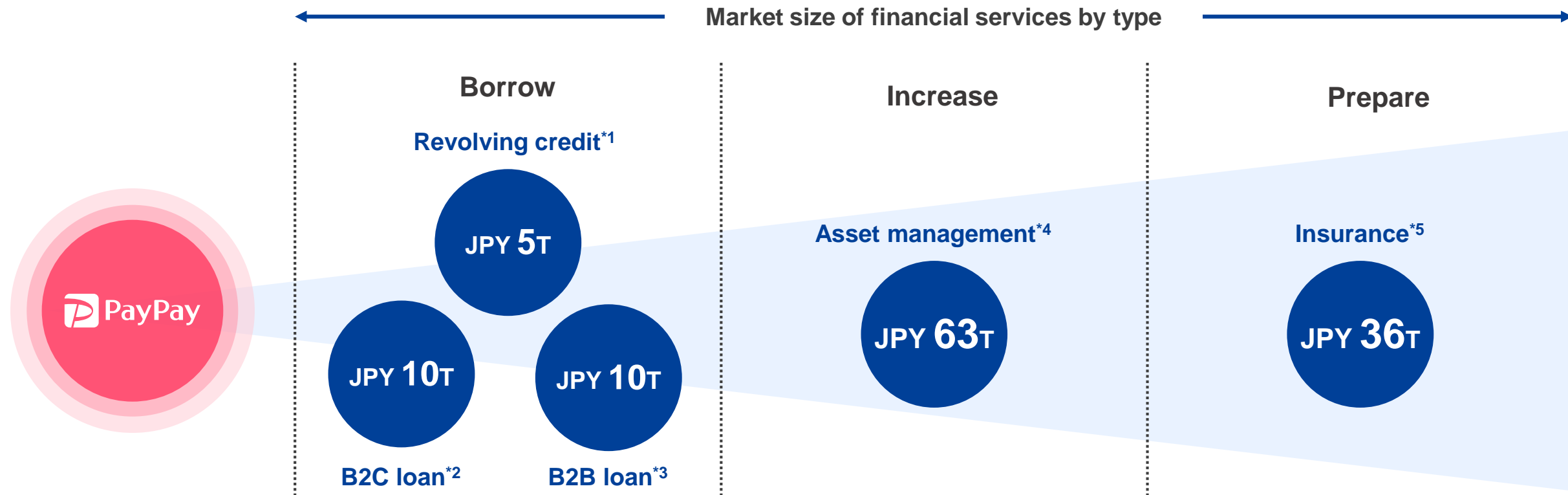
## Strongly lead the enlargement of cashless market and expand TAM



\*1 Cabinet Office

\*2 Yano Research Institute Ltd. "Cashless Payment Market in Japan: Key Research Findings 2019" July 3, 2019

## Use PayPay as a foothold to develop financial services market



\*1 JAPAN CONSUMER CREDIT ASSOCIATION “Credit Statistics of Japan (2019)”: “Payment exceeding two months in credit card shopping”

\*2 Sum of consumer/unsecured loan balance (JPY 4.3T) (monthly status survey by Japan Financial Services Association) and bank card loan balance (JPY 5.7T) (follow-up survey results on bank card loans, by Financial Services Agency)

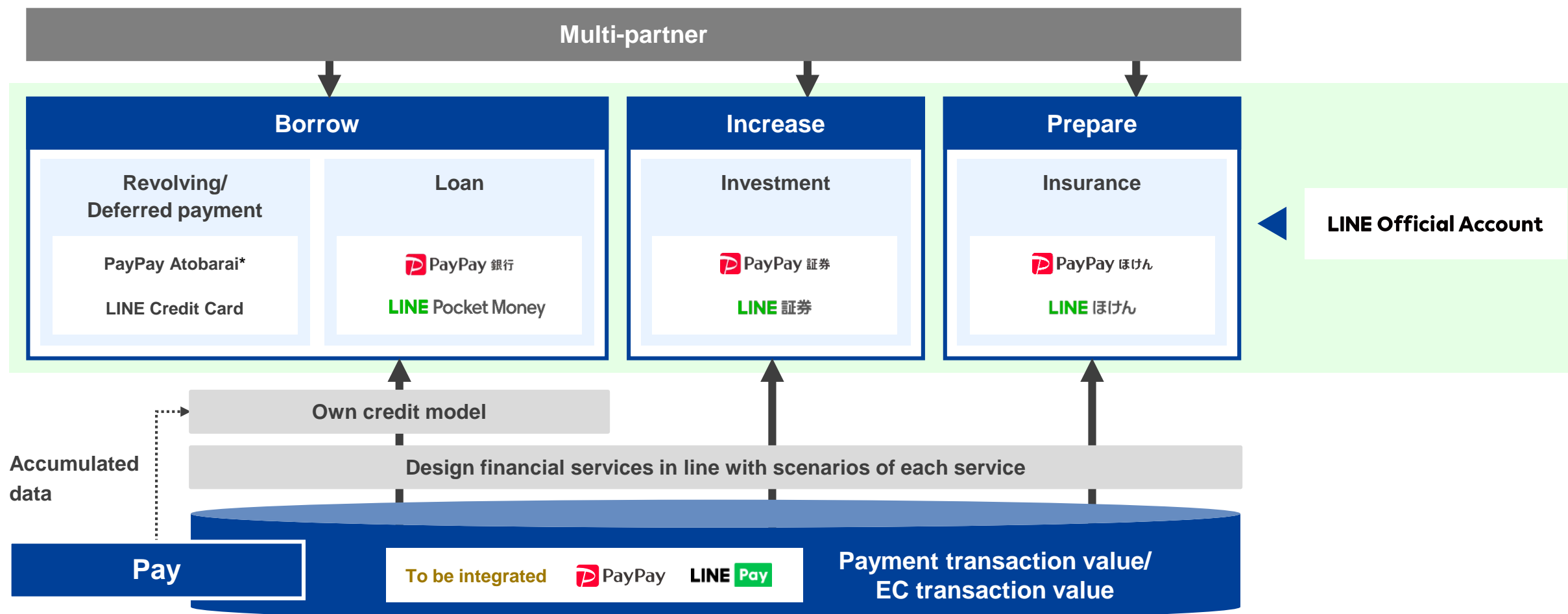
\*3 Estimate from: 1) JPY 7.7T loan to retailer/dining, out of loans by banks & shinkin banks towards SMEs (working capital excluding loans for equipment) (Bank of Japan statistics), and 2) JPY 4.6T non-bank/card loan to businesses (excluding collateral loans) (Japan Financial Services Association)

\*4 Bank of Japan “Flow of Funds”: Amount of “Investment trust beneficiary certificates” out of “Financial assets held by households”

\*5 The Life Insurance Association of Japan “Life Insurance Fact Book”: Total annualized premium of new policies and policies in force of individual insurance and individual annuity insurance + The General Insurance Association of Japan “Statistics by Line”: FY2019 total net premiums written

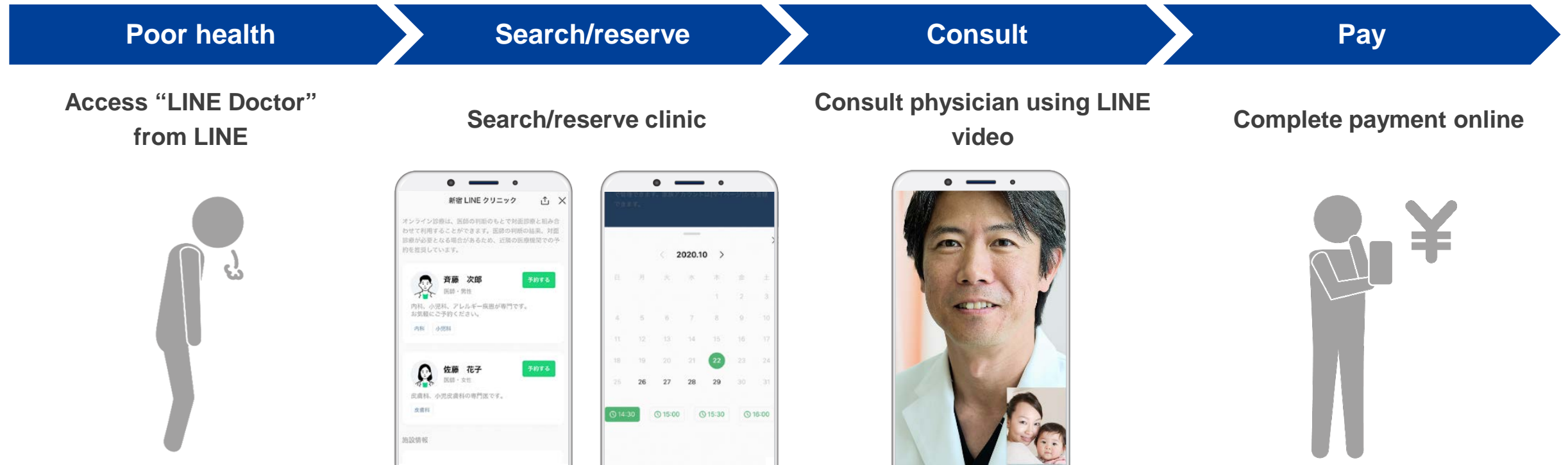


# Expand various financial services using payment transaction value of PayPay, etc. as a base



\* Atobarai: Deferred payment

# Whole procedure from searching & reserving clinics to consultation & payment completed online\*



※Illustrative purpose only

Within FY2021

- Launch online medication guidance
- Aim to be No. 1 in providing online consultation “LINE Doctor” in Japan

\* To conduct online consultation, both physicians and patients need to conduct various procedures (incl. identity verification) following the Guidelines for the Appropriate Use of Online Medical Services, stipulated by the Ministry of Health, Labour and Welfare

## Become the third/forth revenue pillars following Media and Commerce

### Management index/Major KPI

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- Revenue growth of over YoY+20% as a target
- Aim for a size of JPY 100B in adjusted EBITDA in future years

### Major strategic investment

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- Investments to increase the use of new financial services and product development, etc.

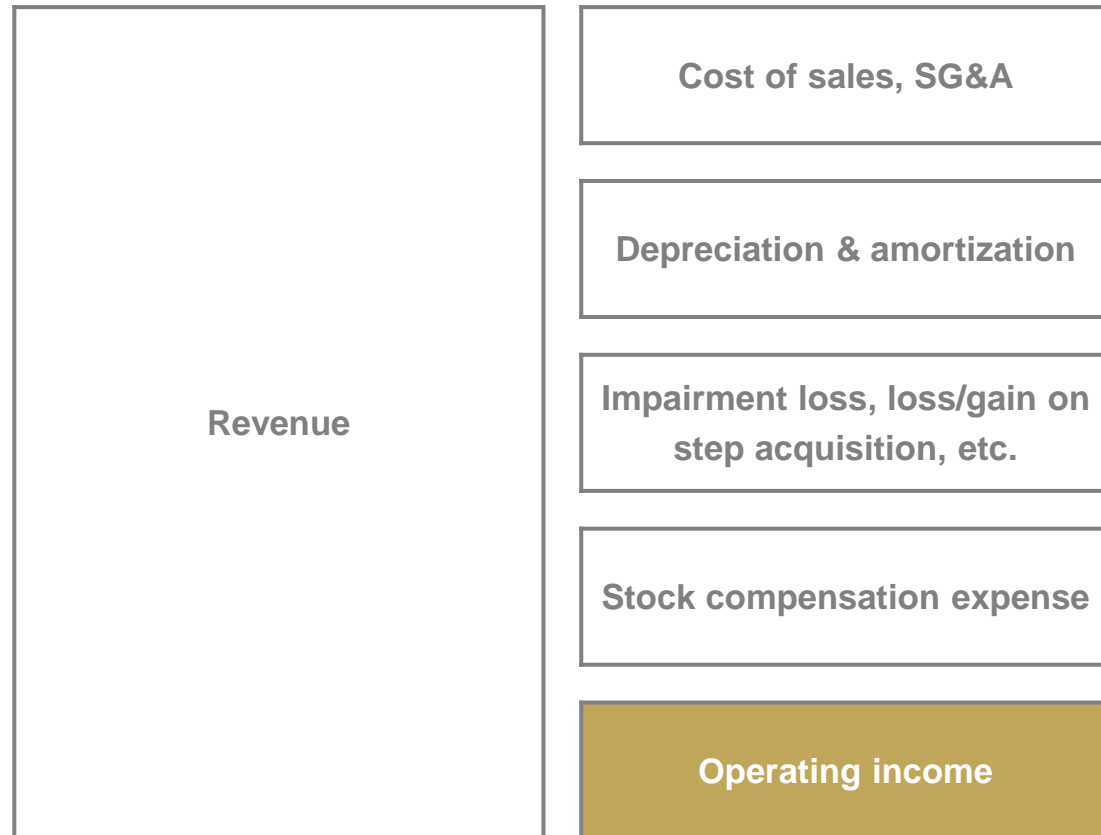
## **Medium-term Management Index/Financial Strategy**

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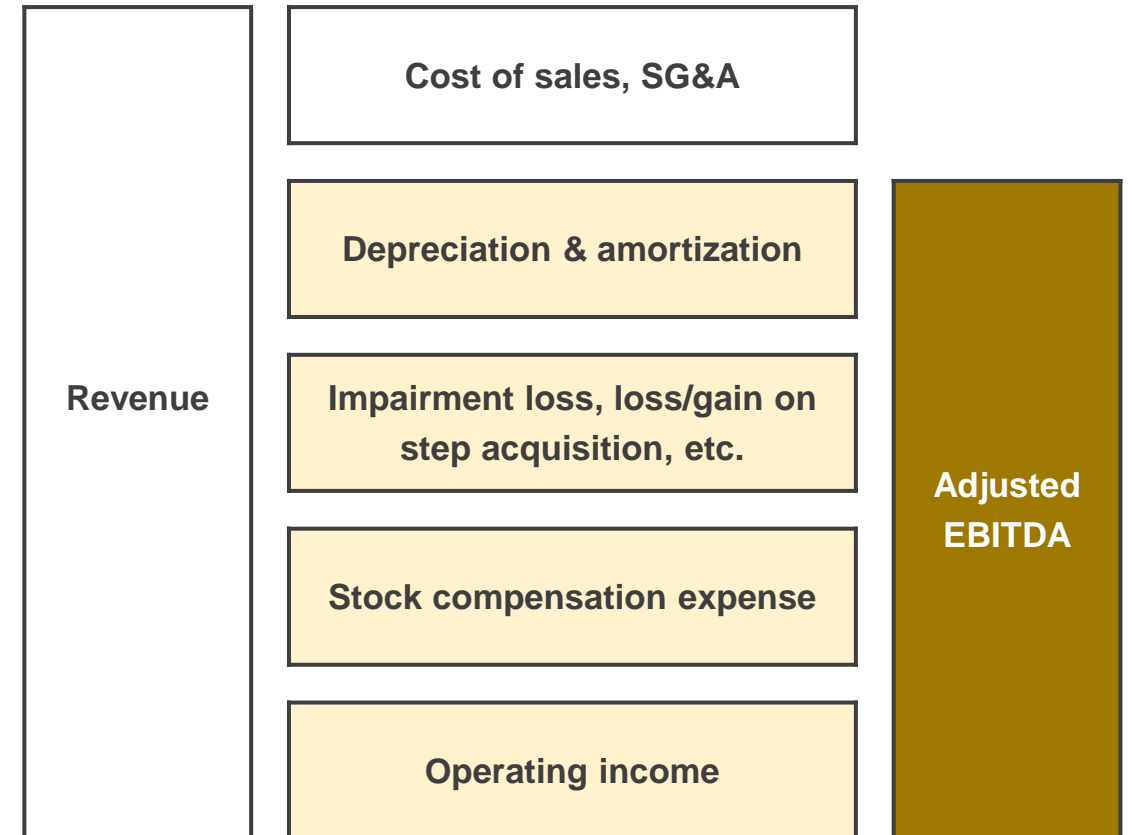
## Changes in management index

To eliminate accounting effects and to shift to an evaluation that reflects strategic investment effects,  
**base management index on EBITDA instead of op. income**

Until FY2020



From FY2021~



While making bold strategic investments, aim to achieve existing mid-term target (op. income), and  
**newly set a mid-long topline growth target**

### Management index

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- **FY2023 Adjusted EBITDA: JPY 390B** (equivalent to op. income: JPY 225B)
- **FY2023 Revenue: JPY 2T**

### Group-wide strategic investment & financial discipline

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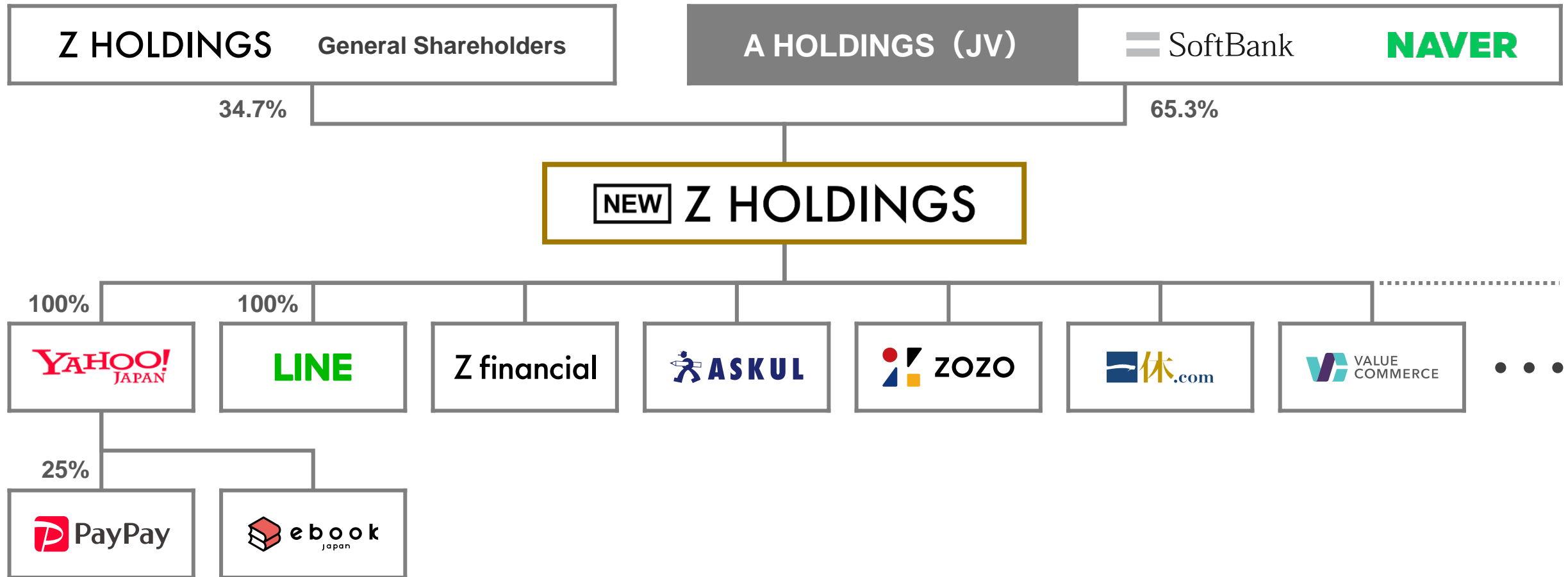
- **JPY 500B strategic investments in 5 years**  
(allocated from cash flows from operating activities)
- **Appropriate financial leverage conscious of maintaining credit rating**
  - ▶ **Maintain net leverage ratio\* 2.5 - 3X**
  - ▶ **Maintain credit rating R&I: A+ /JCR:AA-**

\* Excludes banking (Net leverage ratio = Net interest-bearing debt/Adjusted EBITDA)

### **3. Group Management Structure**

## Group structure

**Consolidate group management functions under ZHD,  
while business operations will be executed by each company**



\* PayPay Corporation is a company accounted for using the equity method under ZHD. Shareholding ratio of PayPay Corporation: SoftBank Group Corp: SoftBak Corp.: Yahoo Japan Corp. = 50:25:25 (excludes investment through preferred stock)



New management structure (including outside directors)

Management team that will strongly drive this business integration



President and Representative Director  
Co-CEO  
Kentaro Kawabe



New appointment

Accelerate synergy creation  
Representative Director  
Co-CEO  
Takeshi Idezawa



New appointment

Lead product strategies  
Director  
Group Chief Product Officer  
Jungho Shin



Director  
Senior Managing Corporate Officer  
Takao Ozawa

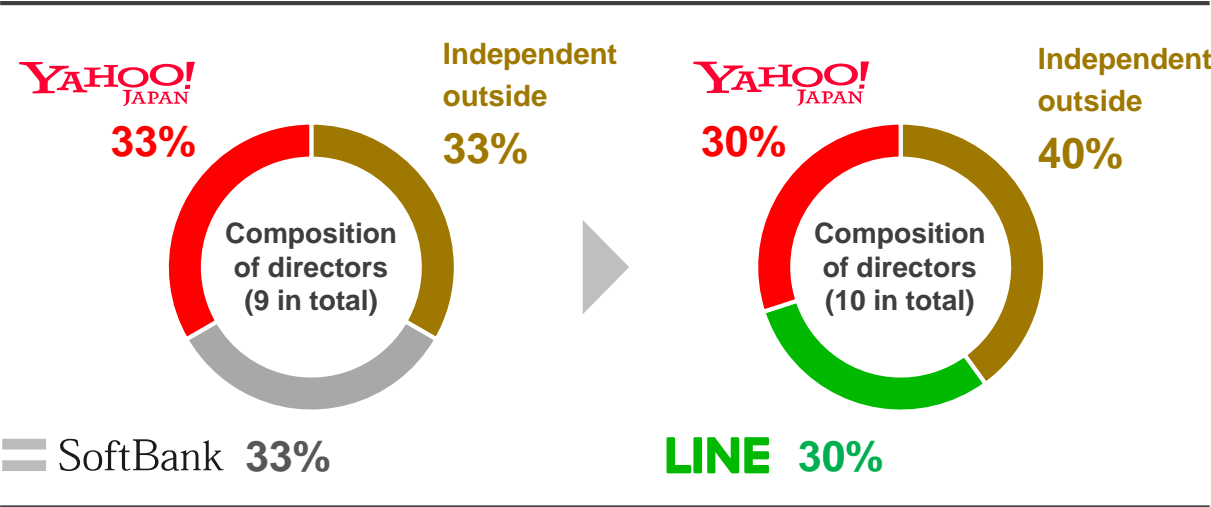


New appointment

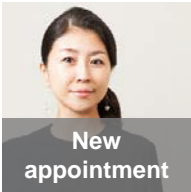
Drive various business growth & enhance brand value  
Director  
Senior Managing Corporate Officer  
Jun Masuda



Director  
Senior Managing Corporate Officer  
Group Chief Synergy Officer  
Taku Oketani



Independent Outside Director,  
Full-time Audit and Supervisory Committee Member  
Yoshio Usumi



New appointment

Independent Outside Director,  
Audit and Supervisory Committee Member  
Maiko Hasumi



New appointment

Independent Outside Director,  
Audit and Supervisory Committee Member  
Tadashi Kunihiro



New appointment

Independent Outside Director,  
Audit and Supervisory Committee Member  
Rehito Hatoyama

# External ESG evaluations

**Aim to maintain/enhance a high third-party evaluation after integration, to secure our position as the industry-leading ESG issuer**

Member of  
**Dow Jones Sustainability Indices**  
Powered by the S&P Global CSA

**S&P Global - DJSI**

**Interactive Media, Services & Home Entertainment sector**

**Selected as an Industry Leader**



**MSCI ESG Rating\***

**Score rising every year since 2018**

**Received AA rating**

**Received the highest evaluation in the following categories:**

<b>Governance &amp; Economic Dimension</b>	<b>Information Security/Cybersecurity &amp; System Availability</b>
<b>Environmental Dimension</b>	<b>Environmental Reporting</b>
<b>Social Dimension</b>	<b>Corporate Citizenship and Philanthropy</b>

**Four areas of material importance**

<b>Privacy &amp; Data Security</b>	<b>Human Capital Development</b>
<b>Carbon Emission</b>	<b>Governance</b>

\* As of 2021, Z Holdings Corporation received an MSCI ESG Rating of AA. THE USE BY Z Holdings Corporation OF ANY MSCI ESG RESEARCH LLC OR ITS AFFILIATES ("MSCI") DATA, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT, RECOMMENDATION, OR PROMOTION OF Z Holdings Corporation BY MSCI. MSCI SERVICES AND DATA ARE THE PROPERTY OF MSCI OR ITS INFORMATION PROVIDERS, AND ARE PROVIDED 'AS-IS' AND WITHOUT WARRANTY. MSCI NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI.

## Efforts to solve climate change and social issues

# Leveraging technology to solve environmental & social issues

### Climate change

Aim to achieve neutrality well ahead of Japanese government's "2050 Carbon Neutral" goal

### Public service DX

Enrich comprehensive and easy-to-understand info on administrative procedures

Enable administrative procedures to be done online by linking with the Cabinet Office's "Mynaportal<sup>\*2</sup>" service

### Disaster prevention & mitigation

Provide suitable info to each person, from normal times to times of recovery

Become the "world's best prepared country for disaster" leveraging the strengths as an online media

Pursue early membership in RE100 renewable energy initiative<sup>\*1</sup>

ZHD Group to announce mid-long environmental goals by the end of FY2021

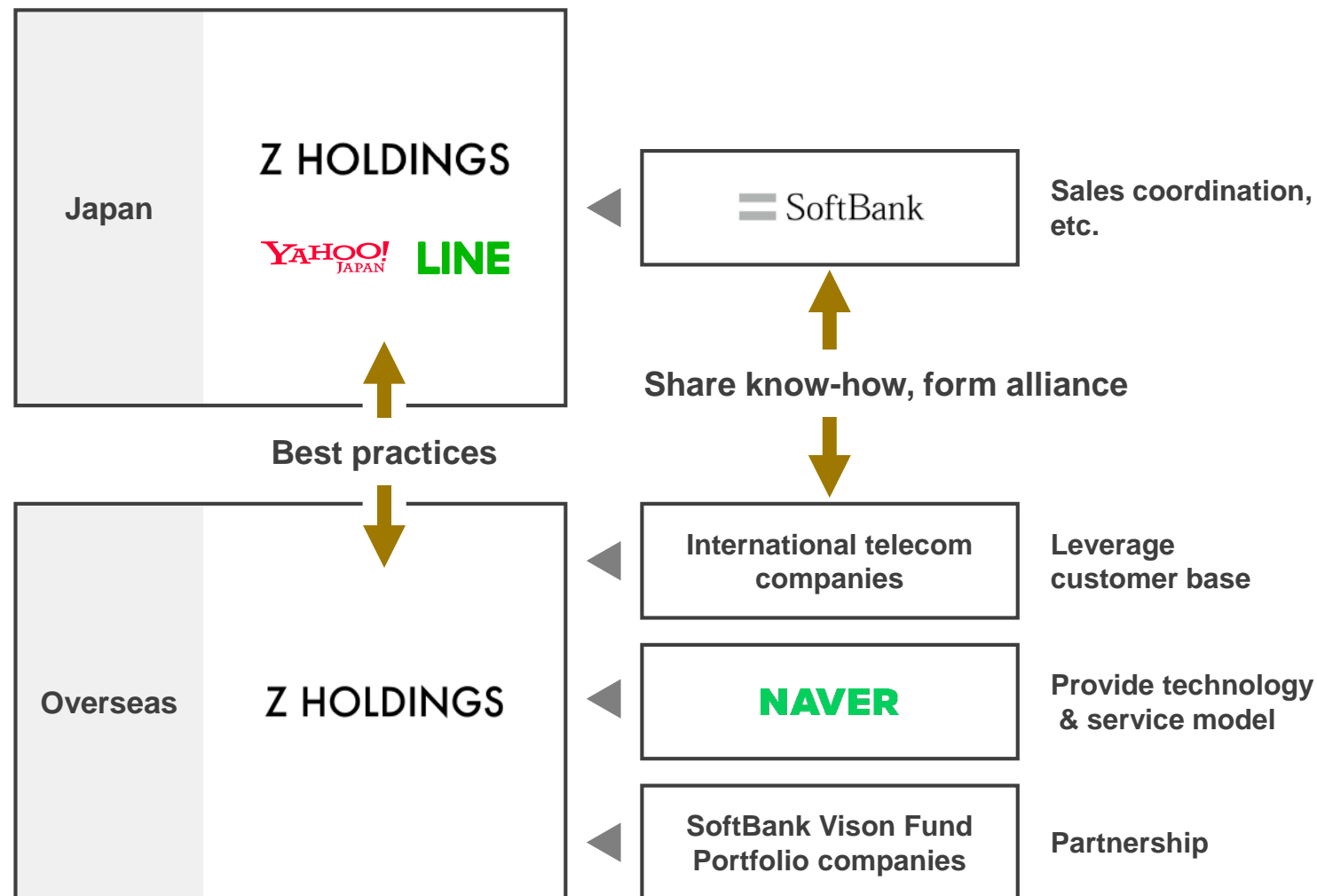


※Illustrative purpose only

<sup>\*1</sup> Global initiative that promotes 100% renewable energy in corporate activities.




<sup>\*2</sup> Japanese government-operated, online one-stop service for administrative procedures such as childcare and nursing care, and for checking notices from government agencies.

# AI tech company that leads the world from Japan and Asia



\* SBIA, Manager of the Vision Funds, is a registered adviser and independent affiliate of SoftBank Group Corp. and maintains separate procedures and operations from those of SoftBank Group Corp..

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# Z HOLDINGS

**Unleashing the infinite potential of all people,  
with the power of information technology**

## Disclaimer

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The Company cautions you that a number of important factors could cause actual results to differ materially from those discussed in the forward-looking statements.

Such factors include, but are not limited to, the items mentioned in “Risk Factors” in “Consolidated Financial Statements and Independent Auditor's Report” (Japanese only). Unauthorized use of the information or the data in this document is not permitted.

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