Integrated Report

2026

FY2025 Edition

LY Corporation

From the Editors

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From the editors

By integrating and concisely summarizing financial and non-financial information, this report is intended to serve as a tool for communicating the LY Corporation Group's value creation efforts to a wide range of stakeholders, and to facilitate deeper dialogue.

Period covered

April 1, 2025–March 31, 2026

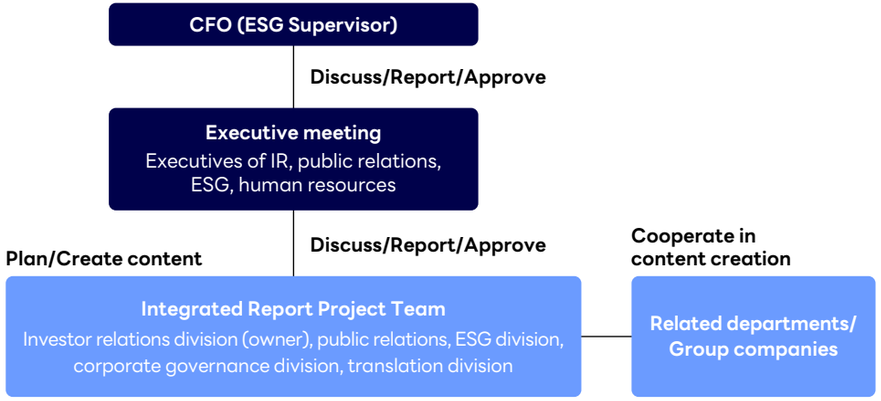
Note: To provide the latest updates on the LY Corporation Group, the report includes information from April 2026 onward, as well as relevant activities prior to the reporting period. Department and position names are as of FY2025.

Reference guidelines

- International Integrated Reporting Framework (IFRS Foundation)
- Guidance for Collaborative Value Creation (Ministry of Economy, Trade and Industry of Japan)

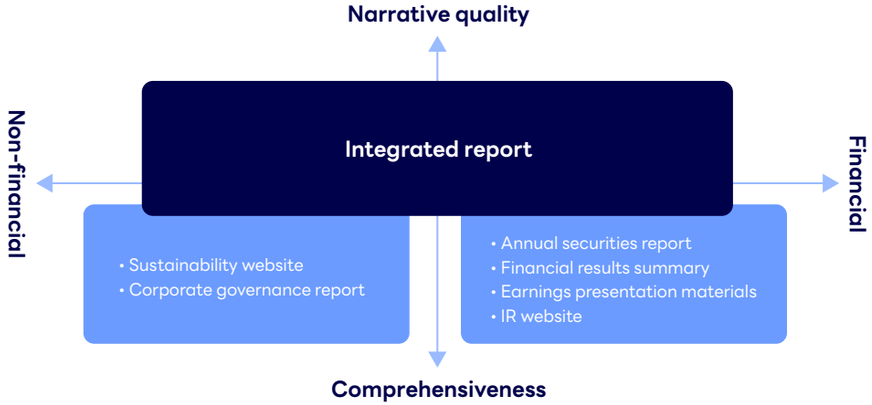
Editorial team

Led by the IR division, an Integrated Report Project Team comprising the public relations division, ESG division, corporate governance division, and translation division carried out the planning and content production. In the production of content, we also obtain the cooperation of related departments and Group companies. The Project Team confirmed progress and shared information at regular meetings; consulted with and reported to the executives of relevant divisions such as IR, public relations, ESG, human resources and Group companies, as necessary; and ultimately obtained approval from the CFO (ESG Supervisor) before issuing the report.



Positioning of the integrated report

The report is designed to help deepen readers' understanding of our business by presenting the overall management strategy in a coherent narrative, including interviews with our leadership.



Notes

Definitions of key financial indicators

- Adjusted EBITDA: Operating income + depreciation and amortization ± EBITDA adjustment items
- Depreciation and amortization: Depreciation expense, right-of-use asset depreciation, etc.
- 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, gain on remeasurement relating to business combinations, other transactions with undetermined cash outflows (one-time provisions, etc.), etc.). Includes gains/losses on sales of shares held by certain funds.
- Adjusted EPS: Adjusted net income /average number of common stocks outstanding during the period
  Adjusted net income: Net income attributable to owners of the parent ± EPS adjustment items ± tax equivalent on some EPS adjustment items
- EPS adjustment items: ± EBITDA adjustment items + amortization of identifiable intangible assets from business combinations ± non-recurring items in non-operating income/expenses

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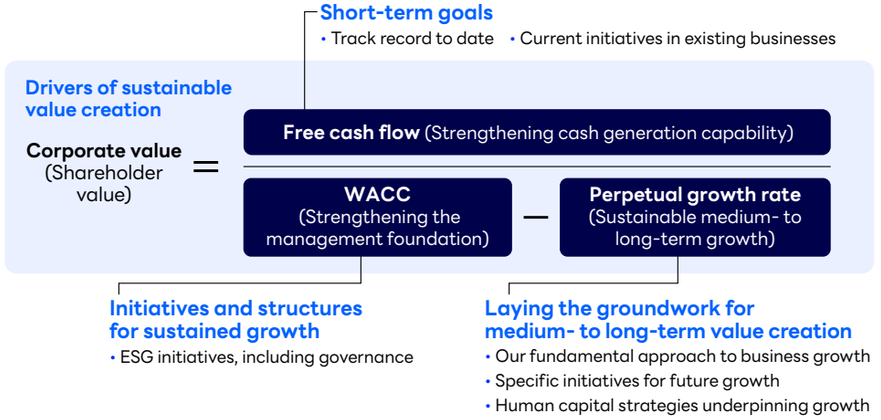
Message from the Editorial Team

Highlights of the Integrated Report 2026 (FY2025 Edition)

Following the release of our Integrated Report 2024 in October 2025, we conducted interviews with nine institutional investors to gather their feedback and identify areas for improvement. Based on their valuable input, we retained the previous report structure while making the following key improvements to make the report easier for a diverse range of stakeholders to understand.

- As in the previous report, the report is structured around the enterprise value formula shown on the right, enabling readers to better understand how each initiative contributes to enhanced corporate value.
- We have updated the content to demonstrate the evolution of the Group, highlighting our strengths and how we are working to further enhance these strengths, with the aim of addressing concerns that the proliferation of generative AI could disrupt our businesses.
- We have expanded interviews with relevant executives to show the steady progress being made in the use of generative AI across the Company. We also feature initiatives undertaken by our technology divisions to provide greater visibility into areas that can be difficult to understand from outside the Company, such as improvements in development efficiency.
- We have strengthened our editorial framework by drawing on the insights of external experts with an investor perspective, with the aim of making the report more compelling and credible.

Enterprise value formula (investor perspective)



Browse by category

Management messages	Medium- to long-term growth strategies	Financial strategy and performance trends	AI-related initiatives and their impact on corporate value	Sustainability initiatives and ESG-related efforts	Governance initiatives and organizational oversight structure
• CEO Message (p. 7) • CFO Message (p. 10)	• CEO Message (p. 7) • Growth Strategy (p. 25) • AI Utilization Strategy (p. 26) • AI Agent Strategy (p. 28) • LINE Official Account and MINI App Strategy (p. 31)	• CFO Message (p. 10) • Business Overview (p. 33) • Financial Data (p. 72)	• AI Utilization Strategy (p. 26) • AI-Driven Operational Efficiency (p. 42) • CDO Message (p. 43) • CTO Message (p. 45) • Feature 1: Next-Generation Platform “Flava” (p. 47) • Feature 2: Maximizing Revenue Opportunities with Common AI Platform (p. 49)	• Material Topics (p. 23) • Material Topics—Indicators and Targets (p. 24) • Enhancement of Human Capital (p. 51)	• Dialogue Between Outside Directors (p. 14) • Interview with New Outside Directors (p. 18) • AI Governance Officer Message (p. 54) • Corporate Governance System (p. 64) • Security Governance Framework (p. 69) • CISO Message (p. 70)

Disclaimer on forward-looking statements, etc.

All forward-looking statements appearing in this document, including but not limited to forecasts, estimates, and future strategies, are based on information available at this point in time and certain assumptions generally deemed reasonable. Such forward-looking statements are subject to various risks and uncertainties, including but not limited to unanticipated changes in the competitive environment, economic trends, market demand, and outcome of pending or future litigation, in addition to indeterminate factors and presuppositions. Should one or more of these risks or uncertainties materialize, our actual results or performance may vary materially from those described in the relevant forward-looking statements. We therefore kindly advise you to refrain from relying completely on these forward-looking statements. The Company assumes no obligation to update or revise these forward-looking statements in light of future developments. This is an English translation of the Japanese website. In case of any discrepancy in interpretation, the original Japanese version shall prevail.

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Mission

WOW Our Users!

**By “WOW”, we mean “an unprecedented experience that you just have to share with others.”
WOW doesn’t mean achieving 100%. It means aiming for 120% or more.
Only services that users find truly captivating and essential can survive.
Therefore, we need to think from the users’ perspective when creating a service, at every step from start to end.
We must constantly ask ourselves, “Does the user truly want this?” and “Does this provide greater convenience?”
Throughout the process, we should always be thinking in terms of “how” we’re achieving our goals, not just “what” we’re achieving.
Furthermore, we must work in good faith in order to maintain and strengthen the high level of trust expected by both our users and our diverse range of stakeholders.**

Values

**“Values” refers to the mindset and actions we prioritize to achieve our Mission.
By actively putting our Values into practice, we remain committed to delivering WOW.**

10x Faster

Society is constantly evolving. With a deep understanding of users and the market, we will take on challenges 10 times faster to continue delivering WOW.

Disrupt and Reinvent

We dismantle, question, and reshape norms that do not lead to WOW. We believe that new value can be created only through the relentless disruption and reinvention of our past actions.

Uncompromising Pursuit of No. 1

We strive to be the No. 1 choice for users—always. Our uncompromising focus on exceeding expectations with grit and determination creates WOW.

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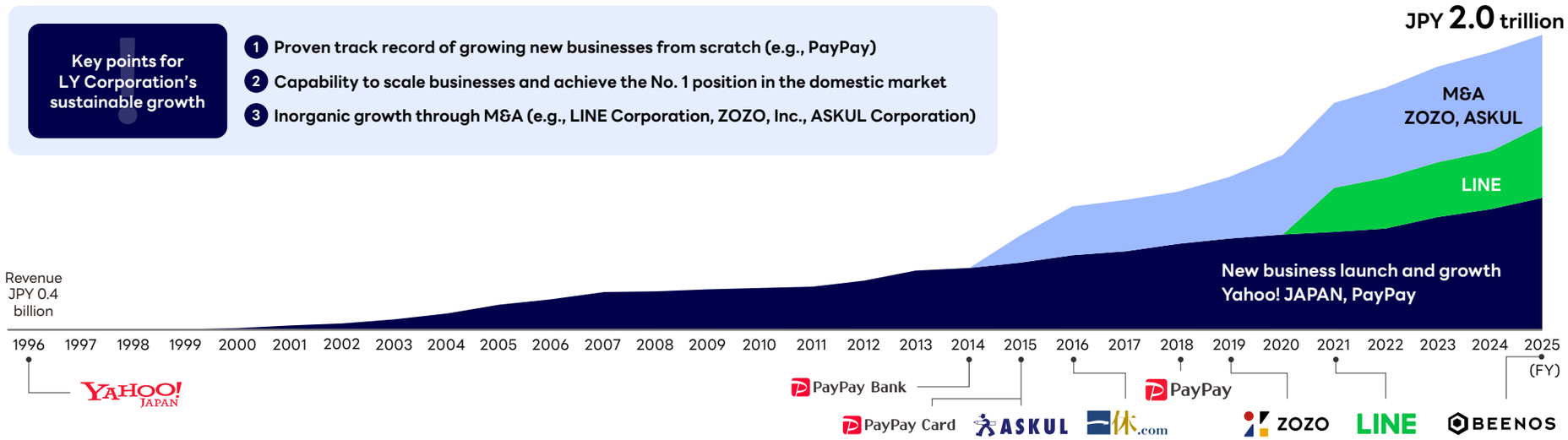
Track Record of Value Creation

Key points for LY Corporation's sustainable growth

1. Proven track record of growing new businesses from scratch (e.g., PayPay)
2. Capability to scale businesses and achieve the No. 1 position in the domestic market
3. Inorganic growth through M&A (e.g., LINE Corporation, ZOZO, Inc., ASKUL Corporation)



Delivering new value to society through the internet (1996–2007)

In 1996, we launched Yahoo! JAPAN and began offering services that leveraged internet technology to meet user needs such as "accessing up-to-date information essential for daily life" and "enjoying a more convenient and cost-effective lifestyle." These services have become deeply embedded in users' daily lives and have grown to reach one of the largest user bases in Japan.

Key milestones:

1996: Launched Yahoo! JAPAN, Yahoo! JAPAN News, Yahoo! JAPAN Weather (now Yahoo! JAPAN Weather & Disaster)
1997: Launched Yahoo! JAPAN Finance
1998: Launched Yahoo! JAPAN Transit Information
1999: Launched Yahoo! JAPAN Shopping and Yahoo! JAPAN Auction

Rapid smartphone adoption and inorganic growth through M&A (2008–2022)

Following the announcement of the iPhone in 2007, smartphone adoption rapidly expanded in Japan. In 2012, Yahoo Japan Corporation provided all employees with iPhones and iPads to deepen their understanding of new devices and accelerated the transition of its services to smartphones. In addition to pursuing inorganic growth through M&A, we have promoted business diversification through initiatives such as the launch and growth of PayPay, which has become one of Japan's leading code-based payment services.

Key milestones:

2008: Released Yahoo! JAPAN smartphone app (iOS)
2011: Launched LINE messenger app
2015: Made ASKUL Corporation a consolidated subsidiary
2016: Made Ikyu Corporation a consolidated subsidiary
2018: Launched PayPay
2019: Made ZOZO, Inc. a consolidated subsidiary
2021: Completed the business integration of Z Holdings Corporation and LINE Corporation

Widespread adoption of generative AI (2023–)

Since its release in November 2022, ChatGPT has rapidly gained traction in Japan. LY Corporation has also established the technical infrastructure and environment needed to leverage generative AI and is promoting the integration of generative AI features into a variety of consumer services. By providing cross-service AI agents for every aspect of daily life, we aim to make everyday life and work richer and more convenient for 100 million users.

Key milestones:

2023: Launched LY Corporation by intra-Group reorganization
2024: AI-generated answers introduced in Yahoo! JAPAN search results
2025: Launched the AI Assistant feature on Yahoo! JAPAN Search

Notes: PayPay Bank Corporation changed its trade name from The Japan Net Bank, Limited in 2021. Notes: PayPay Card Corporation changed its trade name from YJ Card Corporation in 2021.

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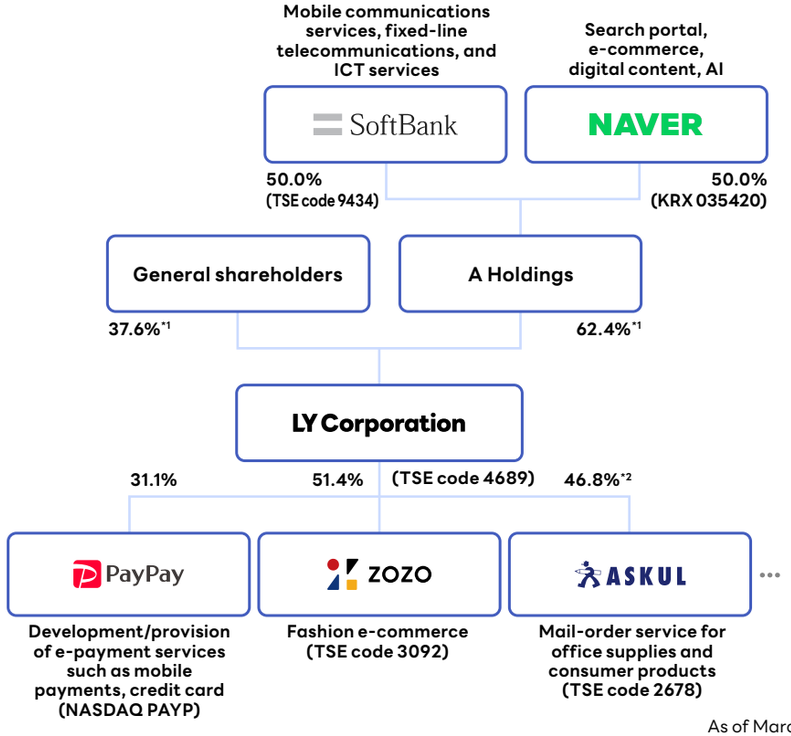
Company Overview

Capital structure (ownership ratio)

The parent company of the LY Corporation Group is A Holdings Corporation, whose shareholders are SoftBank Corp., a provider of telecommunications/ICT services in Japan, and NAVER Corporation, a provider of information technology (IT) services such as search portal websites in Korea. As a tech company, LY Corporation has various IT service companies, such as PayPay Corporation, which offers cashless payment services; ZOZO, Inc., one of Japan's largest fashion e-commerce providers; and ASKUL Corporation, which provides mail-order services of office supplies, etc.

Ownership ratio



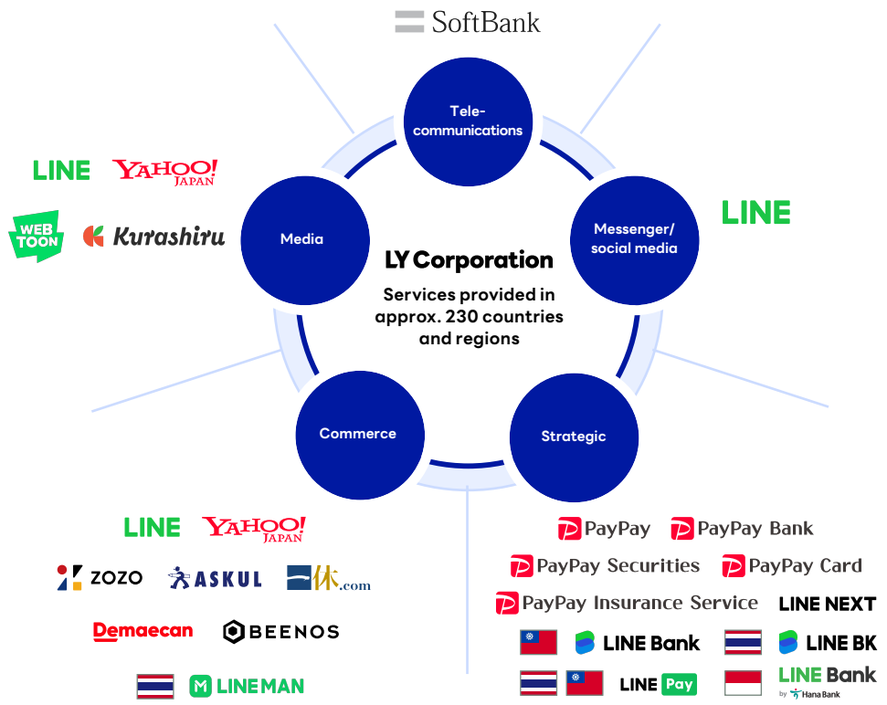
As of March 31, 2026

*1 Calculated by excluding the Company's treasury stock of 5,439,785 shares. The treasury stock does not include the Company's shares (20,196,214 shares) held by the Stock Delivery Trust (J-ESOP), RSU Plan (Board Incentive Plan Trust), and Stock Delivery ESOP Trust.
*2 As of May 20, 2026.

Business portfolio

The business portfolio of the LY Corporation Group encompasses not only media, commerce, and strategic businesses, but also messaging and telecommunications. The scope and diversity of our portfolio are unparalleled globally and will be the driving force for value creation. Our goal is not to achieve growth in individual business and service categories, but to expand the Group-wide ecosystem by offering a seamless user experience across all of our services.

A diverse portfolio spanning media to telecommunications



Our Group Strengths

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By combining our four strengths, we continue to create new value for users.

Strength 01 One of Japan's largest user bases

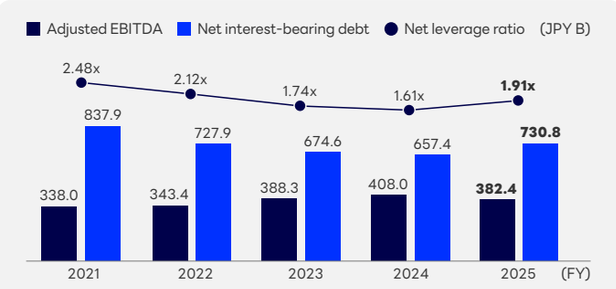
Overwhelming reach in the three fields indispensable to daily life—communication, information, and payment—and the extensive user coverage enabled by over 100 services that span the entire user journey

Communication	Information	Payment
LINE	YAHOO! JAPAN	PayPay
Usage rate of social media*1	Search service	Cashless payment service
No. 1 in Japan	No. 2 in Japan	No. 1 in Japan*4
Monthly active users*2	Average monthly users*3	Registered users*2
Approx. 100 million	Approx. 83 million	Over 73 million
LINE usage rate among people aged 10-69 in Japan*1		Japanese code-based payment market
Over 90%		PayPay market share*4 (GMV)
		Approx. two-thirds

Strength 02 Robust financial foundation

Robust financial base for further growth investment

Net leverage ratio (excluding financial businesses)



Credit rating

JCR: AA⁻
R&I: A⁺

Strength 03 Technological excellence

The ability to leverage large-scale user touchpoints and data to deploy cutting-edge technologies in our services

Data platform	Processing capacity	Implementation and use of AI services
Data volume	LINE API Gateway: 30 billion requests processed per day	Total number of Agent i users
1.2 EB or more	Number of servers	12 million DAU*5
Platforms that support our services	500,000 or more	Agents in the Agent i domain
300 or more		27 domains*6

Examples demonstrating our technological capabilities

- 01 | Create — **Flava:** Developed and integrated a large-scale private cloud in-house, improving performance by 20% ▸ p. 47
- 02 | Connect — **Business ID integration:** Non-disruptive integration of authentication infrastructure supporting tens of millions of accounts
- 03 | Evolve — **AI x Development:** Significantly enhanced development productivity through the use of AI ▸ p. 42

Strength 04 Talent

Organizational capabilities that enable people with diverse expertise to enhance one another's capabilities and co-create across organizational boundaries

Expertise	Expanding capabilities through AI	Cross-functional collaboration and co-creation
A diverse pool of specialists across fields	Making all employees AI-ready	Combining expertise across functions and organizations
Number of engineers including Group companies	Generative AI usage for work*7	Internal hiring rate*8
Approx. 7,000	Over 80%	17.2% (FY2024) → 28.3% (FY2025)

Mechanisms and examples of leveraging employees' strengths to create value

- 01 | Refine — **Deepen expertise through large-scale hands-on experience**: An environment handling tens of billions of messages and requests every day
- 02 | Expand — **Turn individual expertise into organizational capabilities through systems and common platforms**: QA Agent Platform/ Analytics Skills, etc.
- 03 | Combine — **Create new services and prototypes through co-creation among specialists across job types and organizations**: Internal recruitment postings and company-wide cross-functional task forces for AI agent development, etc.

→ Enhance our ability to create new services

*1 Institute for Information and Communications Policy, Ministry of Internal Affairs and Communications "2025 Survey Report on Usage Time of Information and Communication Media and Behavior Concerning Information." Announced in June 2026.
*2 As of March 31, 2026 *3 Nielsen Digital Co., Ltd. "TOPS OF 2025: DIGITAL IN JAPAN"
*4 Aggregation of the ratio of "PayPay" in the disclosure materials of the Payments Japan Association ((Revised April 7, 2026) Stats-Code Payment, published March 30, 2026), calculated by PayPay *5 As of June 2026
*6 As of August 2026 *7 As of July 2026. Calculated as the number of employees who used designated AI tools such as ChatGPT and Gemini during the month divided by the number of employees in the relevant organization.
*8 LY Corporation on a non-consolidated basis. The proportion of positions filled through internal talent utilization programs, including internal recruitment postings and self-initiated transfer systems.

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Harnessing AI-Driven Change for Growth and Greater Corporate Value

Takeshi Idezawa

President and Representative
Director, CEO (Chief Executive Officer)

AI is poised to transform both how people find information and how they use services. FY2025 marked a year in which we translated our response to these AI-driven changes into concrete action. After internal discussions on introducing AI agents from the end of 2024, we announced our AI agent, “Agent i,” in April 2026. Drawing on LY Corporation’s everyday customer touchpoints and diverse range of services, we will develop AI agents that help users accomplish what they want to do. We will transform existing services and invest in new growth opportunities to enhance corporate value.

How LY Corporation will drive growth in the AI era

AI is advancing with unprecedented speed and impact. Capital market participants have expressed concerns that AI adoption could affect the search business. I also see changes in how users interact with services as a critical management issue.

In the internet era, search has long served as a gateway for users to find information and decide what to do next, providing information relevant to what they want to accomplish. But user needs are constantly changing. While traditional search has served users who seek information, AI agents will increasingly understand what users want to do—whether buying something, going somewhere, or making a reservation—and help them compare options, make choices, and take action. We must evolve our services to meet these needs. This shift will also expand revenue opportunities through AI agents, including advertising, purchase assistance, transaction fees, and subscriptions.

To achieve this, we are integrating AI into our services while creating new experiences through Agent i. We will enhance the value of existing businesses, including search, while expanding growth areas such as LINE Official Account. At the same time, we will concentrate management resources on developing AI agents as the next gateway.

Having led companies including livedoor Co., Ltd. and LINE, I have had to redirect the companies many times in response to major changes in the business environment. These experiences have convinced me that the greatest risk for a company is not change itself, but delaying decisions in the face of change. Transforming highly profitable businesses is never easy. Yet if we hesitate for fear of the impact on those businesses, we risk falling into the innovator’s dilemma and failing to keep pace with changing user behavior. While addressing the near-term impact on earnings, we will shift our portfolio toward growth areas such as LINE Official Account and transform our businesses, including our existing ones, as needed to remain the choice of users.

Becoming an AI company does not simply mean adding another AI service. Our goal is to evolve into a company that uses AI to connect the many activities

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people perform in their daily lives, including communication, gathering information, shopping, making reservations, and payments, and supports them through choosing, taking action, and ultimately accomplishing their goals. LY Corporation has extensive customer touchpoints through LINE and Yahoo! JAPAN, as well as a diverse service portfolio across news, commerce, finance, and so on. Our ability to connect these services with a single ID framework is a major strength in the AI era. Our competitiveness will come not from simply having a broad range of services, but from connecting them in ways that reduce effort for users and deliver convenient experiences in their daily lives.

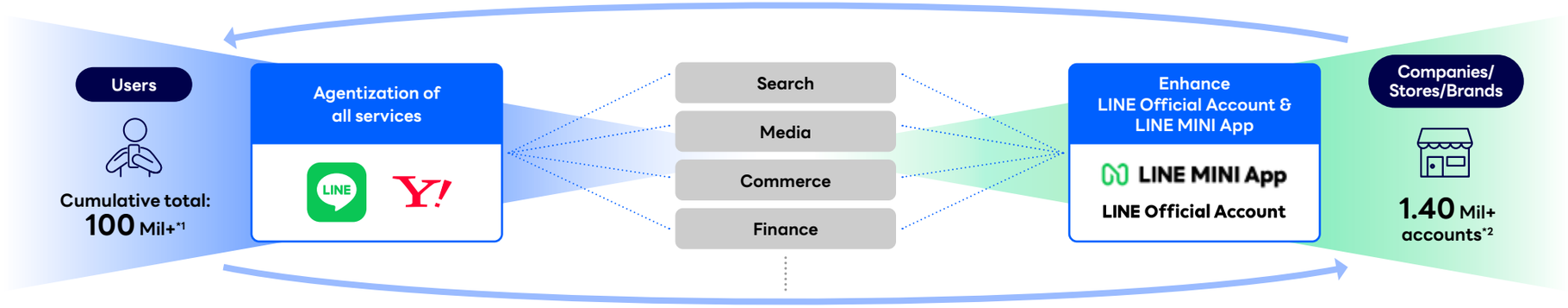
To turn these strengths into value through AI agents quickly and with capital efficiency, we will adopt a multivendor strategy for technology. Our strength lies not in developing foundation models themselves, but in rapidly designing services rooted in user needs at the application layer above those models and delivering them as user experiences. We have already demonstrated this capability in search, where we have leveraged external technologies in search engines while providing services that deliver value to users. I believe applying this strength in the AI era is our path to success. By utilizing one of Japan's largest user touchpoints and diverse services, we will flexibly select the optimal technology for each use case and rapidly incorporate technological advances. This will allow us to concentrate management resources on the application layer and the creation of user experiences. Rather than entering a capital-intensive race to develop foundation models, we will manage our investment requirements while pursuing business growth and capital efficiency.

Our goal is to create an experience in which users can naturally accomplish what they want to do through the services they use every day. As basic AI features and user experiences become standardized, competitiveness will depend on how deeply a company can understand users through touchpoints embedded in their daily lives and how much greater convenience it can provide. That is why, as we pursue the best possible user experience, we will enhance the value of staying within LY Corporation's ecosystem, including through points and payments, so that users feel it is more convenient and rewarding to do so. In this way, we will establish advantages that are difficult for competitors to replicate. We will also expand our growth opportunities in markets where LINE is used, including Taiwan and Thailand, by tailoring our approach to the needs of each market.

Creating value and revenue opportunities with AI

We will create value through AI in both our services for users and businesses. Making it easier for businesses to serve their customers will also improve the user experience. Through "Agent i for Business," we will

Drive growth by AI-agentizing all services and enhancing LINE Official Account and LINE MINI App



*1 Calculated based on the number of LINE service users (as of the end of September 2025) and the number of browsers used to access Yahoo! JAPAN services (September 2025).
*2 Number of active accounts in LINE Official Account in Japan. As of June 30, 2026

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support customer service and operations by bringing AI capabilities to LINE Official Account and LINE MINI App. By reducing workloads and enabling better customer service, we will increase the value businesses gain from continued use of our services.

For users, we see multiple revenue opportunities, including expanding AI subscription plans by leveraging the LYP Premium's membership base of more than 25 million, as well as advertising through AI agents and fees from purchase assistance. Monetization depends on developing services that deliver convenience and lead to successful transactions. Rather than simply offering AI, we will create value that drives continued use and translate it into revenue.

Transforming management to achieve growth

Executing this strategy requires us to transform not only our services, but also how we work. In the AI era, slower decision-making and development due to organizational scale would be a major weakness. To transform how we work and create services, we updated our mission to "WOW Our Users!" and our values to "10x Faster," "Disrupt and Reinvent," and "Uncompromising Pursuit of No. 1." Having personally navigated business turnarounds and major shifts in the business environment, I have learned to embrace change and enjoy turning it into opportunity.

For example, we formed small teams of volunteers to develop Agent i. With AI, teams are beginning to rapidly prototype across planning, design, and engineering roles. We will expand this approach across the company as a model for working in the AI era. In an era without clear answers, I believe our competitiveness will come from a culture of acting quickly without fear of failure, learning, and continuously improving. Ultimately, service quality will depend on how effectively we use AI through detailed prompts and persistent feedback.

At the same time, no matter how much AI improves operational efficiency, human judgment remains critical to final decisions. Using AI is not the goal. People must define what they want to achieve, assess the quality of services, and ensure they deliver genuine value to users. No matter how far AI evolves, that responsibility will remain with us.

Commitment to profit growth and corporate value

Our management structure entered a new phase following the General Meeting of the Shareholders in 2026. Alongside building the business foundation after the business integration, we worked as one company to overcome challenges including system failures and security incidents, establishing a robust governance framework. Going forward, we will deepen dialogue with capital market participants and clearly communicate our strategy and progress as we seek to become more attractive from both business and financial perspectives.

While capturing AI-driven growth opportunities, we will steadily pursue business growth and shareholder returns. We target average annual growth of high single digits or more in adjusted EBITDA and adjusted EPS. For shareholder returns, we plan to pay dividends in line with profit growth and achieve a cumulative total payout ratio of at least 70% over the five years from FY2025 through FY2029. As a first step, we increased the dividend to JPY12 (revised from JPY 11 to JPY 12 on November 5, 2026) per share for FY2026. By growing earnings and improving capital efficiency, we aim for an ROE of at least 8% in FY2030. As we invest in AI, maintaining investment discipline and balancing growth investment with capital efficiency will be critical.



I am committed to fulfilling my responsibility to achieve sustainable profit growth and share the benefits of that growth with shareholders and other stakeholders. Offering services that can be used with confidence is a foundation for growth. As we transform our businesses, we will continue strengthening security and governance while reinforcing our management foundation.

As user behavior changes, LY Corporation must change as well. We will develop services that become part of everyday life and translate their value into business growth and profits. As CEO, I will lead this transformation and see it through. I hope our stakeholders will look forward to the new user value we will create through AI and the growth that lies beyond.

Message from the CFO

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Ryosuke Sakaue

Director,
CFO
(Chief Financial Officer)

Disciplined Growth Investment to Capture Opportunities in the AI Era and Enhance Capital Efficiency

—Achieving Sustainable Enhancement of Corporate Value and Appropriate Market Valuation

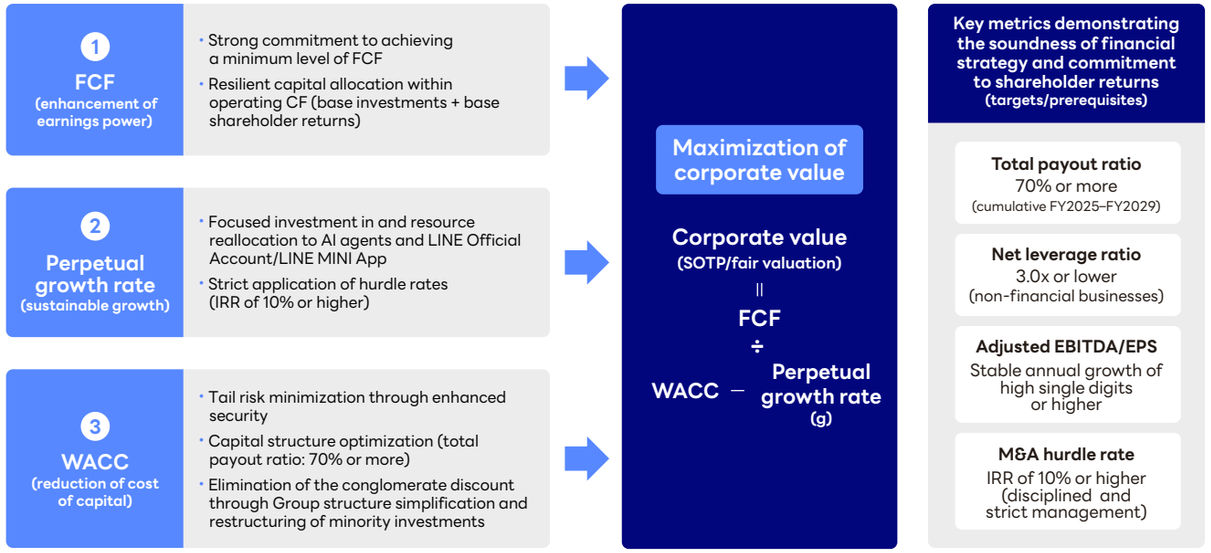
Clarifying the CFO agenda for enhancing corporate value through dialogue with investors

We view dialogue with shareholders and investors as the starting point for management decisions. In FY2025, we held over 500 investor meetings, including at overseas conferences and non-deal roadshows. Candid feedback and constructive opinions received through these discussions are promptly shared with management and the Board of Directors and directly incorporated into corporate management and disclosure policies. Recent examples prompted by shareholder and investor feedback include shifting to a profit-linked dividend policy and disclosing targets for capital allocation and management and business indicators.

As CFO, my foremost mission is not only to ensure robust financial management within the Company, but also to bridge the gap between the corporate value that management believes is appropriate and the Company's current market valuation through dialogue with the capital markets. Internally, we use methods such as sum-of-the-parts (SOTP) analysis based on our business plans to assess the level of market valuation we should be aiming for. However, our current valuation in the stock market remains at a significant discount. I analyze this valuation discount as stemming largely from two factors.

The first is concerns over existing revenue sources and low expectations for the growth and cash-generating potential of our focus businesses. Specifically, I believe our market valuation is weighed down by declining revenue in existing core businesses such as search and display advertising and concerns

Overview of the CFO agenda: Enhancing corporate value



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over changes in search experience driven by generative AI. Meanwhile, the future earnings and free cash flow (FCF) contributions from growth drivers such as LINE Official Account, LINE MINI App, and our AI agent, Agent i, have yet to be fully factored in. Other factors include PayPay's ownership structure, which limits the reflection of its growth value in LY Corporation's shareholder value, and the market's limited recognition of improved profitability in our Commerce Business.

The second is concerns over capital inefficiency arising from our complex business and capital structure and our limited track record of disciplined capital allocation. Specifically, I recognize that the market remains cautious about our ability to sustainably improve ROE and shift to a structure that generates returns above our cost of capital (WACC). We take seriously the view that our complex group structure and minority investments reduce transparency in our business and capital structure. On capital allocation, we intend to allocate FCF and financial capacity toward growth investments, M&A, and shareholder returns in a disciplined manner to benefit shareholders. However, I believe we need to consistently deliver results to earn the market's confidence.

To address these challenges, I have aligned the CFO agenda around a single objective: sustainable enhancement of corporate value. While translating new growth generated through growth investments and M&A into earnings and FCF, we will fundamentally improve capital efficiency by optimizing the balance sheet, pursuing disciplined capital allocation, and reviewing our business and capital structures.

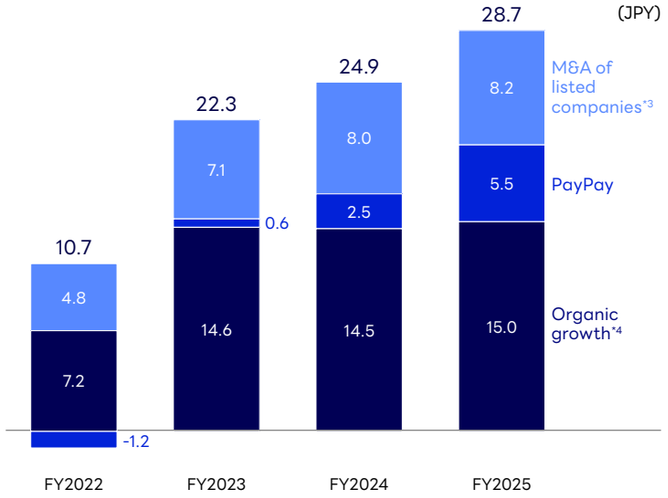
Investing boldly in growth while maintaining financial discipline to keep FCF positive

To maximize corporate value, LY Corporation is prioritizing resource allocation to its most important medium-term growth areas: expanding the ecosystem of LINE Official Account and LINE MINI App, and AI agents that will enhance services across the board. At the same time, we continue to invest in strengthening the competitiveness in our existing businesses, including sales promotion in Commerce Business and enhancements to our data infrastructure in our Media Business.

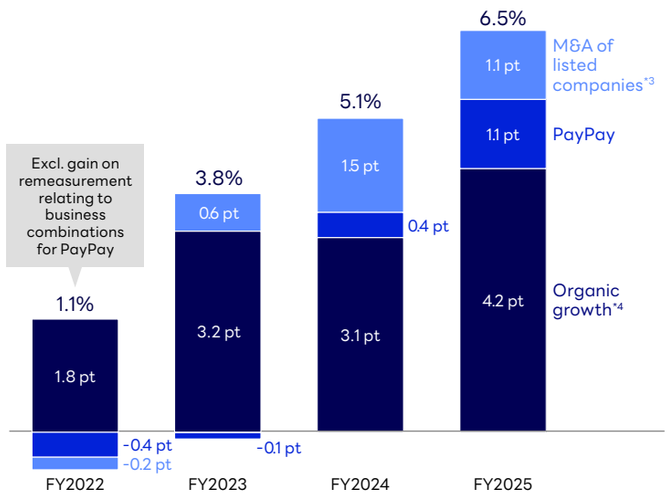
To rapidly acquire the assets and capabilities required in the fast-changing AI era, we will actively use M&A as a means of "buying time." We have a proven track record of achieving both EPS growth and improved capital efficiency through strategic M&A.

Contribution to Adjusted EPS and ROE from past M&A

Adjusted EPS*1



ROE and contribution by segment*2



*1 Adjusted EPS for each segment is calculated by aggregating the adjusted net income of the applicable companies and dividing the total by the average number of the Company's common stock outstanding during the period. Adjusted net income for each segment is defined in the same manner as for the Company's consolidated results.
*2 Contribution by segment: Calculated by multiplying the ROE of each segment by the proportion of shareholders' equity attributable to that segment relative to consolidated shareholders' equity, and presented as the contribution to consolidated ROE (%, pt). ROE for each segment is calculated by dividing the net income of each company (after deducting non-controlling interests and adjusting for PPA amortization, interest on financing for share acquisitions, etc.) by the average shareholders' equity during the period on a consolidated basis (subsidiaries: each company's shareholders' equity adjusted for goodwill, PPA, and other consolidation adjustments; equity-method affiliates: carrying amount of the investment on the consolidated balance sheet).
*3 Scope: Investments of JPY 50.0 billion or more on a cumulative basis in listed companies that are consolidated subsidiaries or equity-method affiliates and continue to be held as of June 30, 2026 (ASKUL, Ikyu, ZOZO, Demae-can, and BEENOS).
*4 "Organic growth" represents LY Corporation's consolidated adjusted EPS and ROE, excluding the "M&A of listed companies" and "PayPay" segments.

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Going forward, we will continue to execute M&A flexibly, applying an IRR hurdle rate of at least 10% while appropriately utilizing debt, including bank loans and corporate bonds.

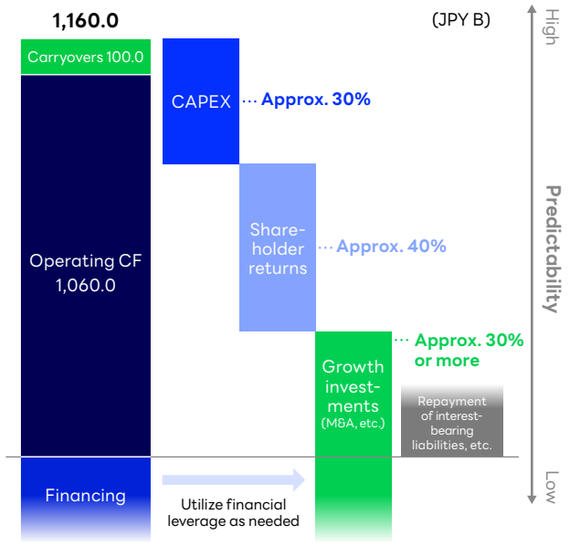
Disciplined cash management is essential to these growth investments. We have built a flexible and resilient financial structure that keeps base investments and base shareholder returns within operating cash flow, excluding the financial business, even in a macroeconomic downturn. While major M&A and other strategic investments may temporarily reduce FCF, under normal conditions we will maintain stable cash generation to balance sustainable growth investments with shareholder returns.

From FY2026, base investments, including those made since 2025 to strengthen security systems, are expected to normalize, further enhancing FCF generation. The resulting cash will be reallocated to growth areas such as AI agents and to shareholder returns, creating a robust cycle of growth, FCF generation, and reinvestment and returns.

Unlike developing proprietary LLMs or building data centers, which require substantial capital expenditure, our generative AI investments are primarily at the application layer, such as LLM usage fees classified as operating expenses. This allows us to manage costs flexibly in line with business performance. We will invest efficiently, including by leveraging Group synergies with SoftBank Group.

Capital allocation policy

FY2026–FY2028/excluding financial business)



Optimally allocating balance sheet capacity to growth and returns while maintaining financial strength

To improve capital efficiency, we will clarify our target balance sheet structure and structurally raise ROE. Based on DuPont analysis, we will pursue these initiatives in an integrated manner: improve profitability, improve asset turnover by reducing capital and assets, and make appropriate use of financial leverage. Through this approach, we aim to consistently achieve ROE of 8% or more from FY2030 onward.

Our financial position is extremely strong. We have set a net leverage ratio (NLR) ceiling of 3.0x for our non-financial businesses. The current ratio is 1.9x, providing ample financial capacity. We will strategically use this capacity available between 1.9x and 3.0x, while maintaining an optimal capital structure, and optimally allocate it, based on expected returns, to agile growth investments and shareholder returns, including share repurchases.

Shareholder returns are one of our most important means of driving balance sheet optimization and improving capital efficiency. Under our policy of a cumulative total payout ratio of 70% or more over five years, we will execute flexible share repurchases as a balance sheet strategy to reduce excess equity and sustainably raise ROE. While we previously focused on maintaining stable dividends, we have shifted to dividends linked to earnings growth from FY2026. We will continue to steadily increase dividends and strengthen shareholder returns.

We will also enable our financial businesses to fund themselves through asset financing, including the securitization of receivables, while reducing the conglomerate discount by simplifying our complex Group structure and restructuring minority investments. By simultaneously raising ROE through improved profitability and lowering our WACC by strengthening governance and our financial foundation, we will sustainably expand our equity spread.

Enforcing discipline in both investment and exits to reallocate management resources to growth areas

To maximize returns on growth investments, it is essential to enforce discipline in exiting businesses that fail to generate expected returns, just as rigorously as in making investments. We have established a governance framework that embeds exit discipline into every growth investment from the outset.

At the investment planning stage, we set clear KPIs and a hurdle rate (10% IRR) and apply a PDCA cycle: pre-investment review (Plan), quarterly KPI monitoring (Do/Check), and improvement measures when targets are not met, followed by reassessment and exit without exception if improvement is not seen (Action). As CFO, I exercise strong oversight over investments that fall short of targets, requiring them to be classified for scaling back, exit, or a strategic pivot. Our decisions prioritize how much corporate value and FCF can be generated from invested capital, rather than simply the

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amount invested or scale of revenue.

We have consistently demonstrated this exit discipline through difficult decisions in recent years, including discontinuing the GYAO! video streaming service, abandoning plans for LINE Bank in Japan, and consolidating overlapping QR code payment businesses into PayPay.

We have also delivered tangible results in improving existing businesses. Yahoo! JAPAN Shopping, for example, has shifted from prioritizing transaction value growth to an ROI-focused approach. Since February 2025, making PayPay Points valid for a limited period and restricting their use to the Group's e-commerce services have significantly improved promotional efficiency and profitability. In September 2026, we transitioned to a sales-based royalty model, further evolving the business to achieve a high-level balance between transaction value and profitability.

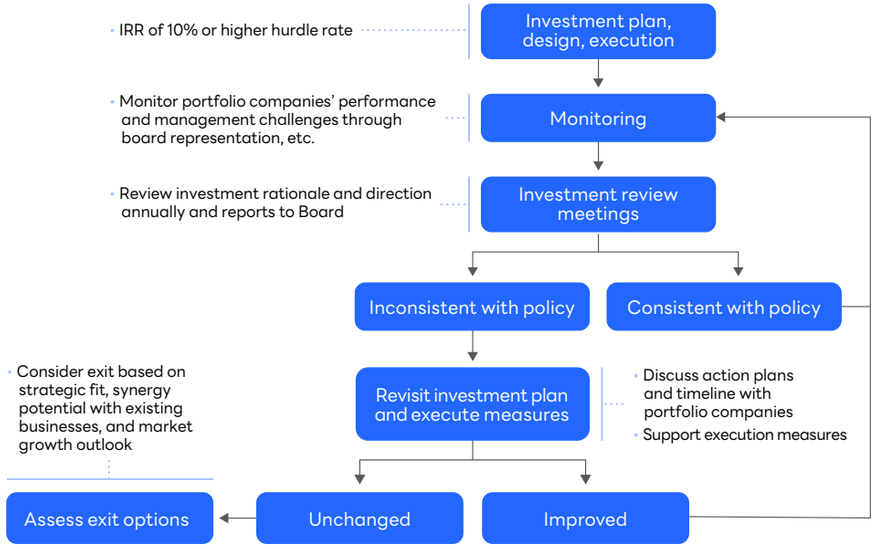
We reallocate valuable management resources, including capital and talent, freed up by addressing losses in unprofitable areas and through business consolidation and restructuring, to high-growth, high-return areas such as LINE Official Account, LINE MINI App, and AI agents. By continuously reshaping our business portfolio, we will significantly enhance capital efficiency across the Group.

We will invest swiftly and boldly to capture the broad growth opportunities presented by the AI era. At the same time, we will take action, without exception, on investments and businesses that fail to meet our return criteria, while balancing growth investment with financial discipline.

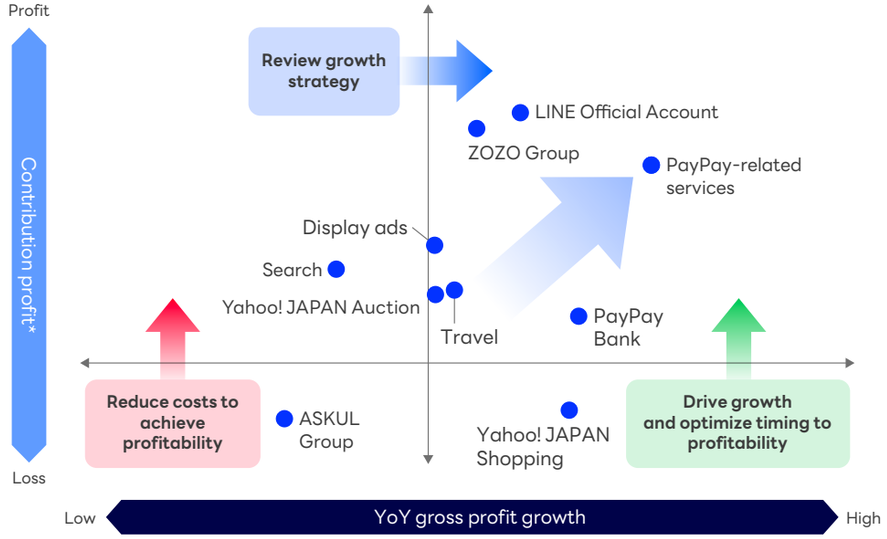
We will establish a capital cycle of "FCF generation → optimal allocation to growth investment and shareholder returns → rigorous assessment of investment performance → exits and resource reallocation" to achieve sustainable profit growth and improve capital efficiency.

By steadily executing these initiatives, we will translate our true growth potential into financial results while expanding our equity spread. We will demonstrate through results the appropriate corporate value envisioned by management and seek to close the valuation gap by earning appropriate market recognition.

PDCA cycle for investment and exit governance



Business portfolio and resource allocation: Present vs. future



*Contribution profit = Revenue − Variable costs − Direct fixed costs

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Dialogue Between Outside Directors

Pursuing the Optimal Balance Between "Growth" and "Discipline," Supporting the Creation of a New Model for Success as a Foundation for the AI Agent Era



Yoshio Usumi

Outside Director (Independent Director), Full-time Audit and Supervisory Committee Member
Chairperson of the Audit and Supervisory Committee, Chairperson of the Nominating and Remuneration Committee

Became Outside Director (Independent Director), Audit and Supervisory Committee Member of the Company in June 2019 and Full-time Audit and Supervisory Committee Member in June 2020, after key posts at Nomura Research Institute, including representative director of corporate headquarters.

Yuko Takahashi

Outside Director (Independent Director), Audit and Supervisory Committee Member

With broad experience as CPA, served in key finance posts including executive officer and director of Dentsu and Dentsu Group and serves as outside director/auditor at multiple companies. Became Outside Director (Independent Director), Audit and Supervisory Committee Member of the Company in June 2024.

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How do you assess LY Corporation's progress on its AI agent strategy?

Usumi: LY Corporation announced "Promoting the Shift to AI Agents" as a management policy at the beginning of FY2025. Even before then, the Board had already been requesting regular reports from the executive team on AI-related businesses and monitoring the progress of initiatives in each division. The executive team shares a sense of urgency that "we need to move faster." The Board must continue to monitor execution speed and the appropriate allocation of necessary management resources, seeking improvements when necessary.

Takahashi: The pace of developments surrounding generative AI has accelerated significantly over the past one to two years, making AI one of the major Board topics. LY Corporation can potentially lead Japan's AI agent field, and the executive team is moving quickly to realize that potential. Nevertheless, all companies remain at an early stage. Further trial and error may be required before AI agents develop into full-fledged businesses on a sustainable growth trajectory.

Usumi: At the recent technology conference Tech-Verse 2026, divisions presented initiatives to realize our value of "10x Faster." Examples from Japan and other regions showed teams combining AI agents with various elements to achieve "10x Faster." I was impressed by some of the approaches they offered.

Takahashi: It is encouraging to see new policies and strategies being translated into concrete initiatives and steadily put into practice, with many new challenges already underway.

Usumi: However, it is not yet clear whether these initiatives can be successfully monetized and generate adequate returns on our investments. Monetizing AI agents will be a major challenge for every company. LY Corporation has one of Japan's largest user bases across LINE, Yahoo! JAPAN, and PayPay. Maximizing this strength will be key to our success, so the immediate focus should be on growing "Agent i" and encouraging as many users as possible to use it.

How is LY Corporation approaching AI ethics and governance?

Usumi: Ethical and governance issues associated with AI cannot be taken lightly. In June 2021, soon after the business integration, LY Corporation established the Expert Panel on AI Ethics. Even before generative AI became widespread, we discussed how AI should be used in digital society and its ethical implications. I highly value the serious attention management has given to both the quality and ethical aspects of AI.

Takahashi: New technologies such as AI carry unknown risks. Everyone therefore needs to combine imagination and knowledge to address them. We need a framework that brings in diverse external views through expert panels and similar forums, rather than leaving deliberation and decisions solely to internal technology and governance teams.

Usumi: As I said before, we have one of the largest user bases in Japan. Deploying AI in society on this scale leaves no room for serious failures or ethical problems. Yet slowing implementation for fear of risk would leave us behind in fierce AI competition. Our governance therefore needs to function as "guardrails" that keep us firmly on track while we continue moving at full speed. As outside directors, we must continually verify that these guardrails work effectively.

Takahashi: This guardrail concept—preventing us from straying without slowing down, rather than stopping for perfection or pressing ahead unprotected—is shared by both the executive team and outside directors. Our key role is to support management in taking on challenges while ensuring they do not undermine the trust of society or shareholders. With shareholder interests in mind, we will continue to ask whether the guardrails are working as they should.

As growth investment accelerates, what discussions are taking place at the Board?

Usumi: In FY2019, when I became an Audit and Supervisory Committee member, borrowings had grown partly due to the acquisition of ZOZO, Inc. We rigorously discussed financial discipline and whether expected returns were sufficient relative to the cost of capital. Since then, we have reviewed the internal rate of return (IRR) for every investment project. We currently use 10% as the IRR benchmark and aim to steadily improve overall portfolio profitability.

Takahashi: The Board thoroughly discusses investment discipline and cost of capital, and I believe decisions are made fairly and transparently through proper processes. In M&A, my main focus is strategic significance: can the executive team convincingly explain what it wants to achieve? If that is vague, the M&A itself can become the goal

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and its ultimate purpose may be lost. Assessing the risks and the reasonableness of the acquisition price is also essential, but my key criterion is whether the M&A is indispensable to LY Corporation's envisioned future.

Usumi: For important matters, we may hold special meetings in addition to discussing them at multiple Board meetings. As a full-time Audit and Supervisory Committee member, I also join top management meetings held by the executive team to stay informed from an early stage. To avoid information gaps between internal and outside directors, or among outside directors, Board meetings include all directors in principle, and we sometimes ask the CEO and CFO to attend special meetings for outside directors. These forums allow us to discuss matters in depth until everyone is comfortable with the conclusions reached. To preserve objectivity, we review reports from independent financial advisors (FAs) and legal advisors (LAs) and, where relevant, interview reports summarizing institutional investor feedback. We also consider both success and worst-case scenarios and repeatedly discuss whether the risks are acceptable from a shareholder perspective.

Takahashi: When discussions stay within the company, it can be difficult to hear critical views on worst-case scenarios. We, as outside directors, must therefore raise those issues.

Usumi: Examining risks and discipline is essential, as is discussing the growth strategy's effectiveness. In that respect, appointing Mr. Genichi Tamatsuka to the Board in June 2026 as an outside director without an Audit and Supervisory Committee role was a major step forward for our governance. He has led several leading Japanese companies and has a strong track record in areas such as group management and global expansion. With his extensive management experience, we hope to deepen Board discussions while having him rigorously examine our growth strategy and decision-making.

How do you assess progress on business portfolio transformation?

Usumi: Media and search have historically been our largest earnings sources, but the earnings environment has changed in recent years. Rebuilding these businesses in response will be a significant challenge. Some businesses continue to grow despite the challenging environment, including LINE Official Account and user-paid services such as LYP Premium. We need to drive transformation within each business area and improve our earnings power.

Takahashi: Ideally, rather than simply moving away from existing businesses whose growth has slowed, we should combine them with new technologies such as AI to enhance their value and put them back on a growth path. The Board is creating more opportunities for the executive team to explain how the existing businesses can be redefined with AI. We must grow the businesses that can grow, streamline businesses where necessary to transform the portfolio, and simultaneously make new investments in areas such as AI. This demanding phase requires constant focus, but if we can do this, we should be able to keep increasing corporate value in the AI era.

Usumi: Finance is a major growth engine we want to strengthen. Our Group is reorganizing its financial



segment around PayPay, bringing credit card and banking businesses under PayPay. PayPay's acquisition of T&D Financial Life Insurance Company as a subsidiary is part of building comprehensive financial services. Compared with other segments, financial services are easier to monetize, and PayPay can potentially expand the business significantly around its strength in code-based payments. PayPay's IPO has further increased that potential.

Takahashi: Having a powerful payment platform in the Group is a significant advantage for monetizing AI agents. PayPay has a share in the 60% range of Japan's code payment market, and we need to strengthen that position further.

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How do you view Group governance, including parent-subsidiary listings?

Usumi: Our basic approach to parent-subsidiary listings is to "achieve both autonomous growth and Group synergies by having each company listed." Of course, the Governance Committee rigorously checks conflicts of interest and other issues. We also engage in ongoing dialogue with outside directors of SoftBank Corp., ZOZO, Inc., and ASKUL Corporation to ensure that the company is not subject to undue influence from its parent company and that the interests of minority shareholders are not being compromised.

Takahashi: With our parent-subsidiary listings, our attention tends to be focused on Japan, but the Group also has many important overseas operations. We need to support their growth while strengthening governance.



Usumi: The October 2025 cyberattack on ASKUL Corporation was a serious Groupwide security incident. The entire Group, including SoftBank Corp., mobilized support, enabling a relatively rapid recovery and minimizing the impact. We also conducted a comprehensive review of all Group companies and implemented previously planned security measures ahead of schedule. While respecting listed subsidiaries' independence, we intend to rigorously strengthen security across the Group.

What is your message to shareholders and investors on the current share price?

Takahashi: Even in an extremely challenging operating environment, LY Corporation has increased both revenue and profit while balancing growth investment and shareholder returns. Still, the share price does not always respond immediately. Shareholders and investors seek tangible results from our business strategies and credible, evidence-backed growth prospects. We must present a convincing, distinctive LY Corporation success model as soon as possible.

Usumi: I acknowledge that the current share price has not met the high expectations the market had at the time of the 2021 business integration. I believe the lack of clarity around our growth scenario is holding back our PBR and PER. To address market concerns, we need a deeper understanding of the market's perspective. Beyond hearing investor feedback from the CFO at Board meetings, outside directors will engage directly with investors to better understand their perspectives firsthand. We will reflect those insights in management and continue to support efforts to bring new growth drivers—and ultimately competitive products—to market.

Takahashi: The Board has a supervisory role, but we also support the executive team to jointly achieve sustainable growth and greater corporate value. We basically trust and support the executive team. At the same time, we closely scrutinize management from the perspectives of shareholders and investors, and when necessary, we candidly raise concerns and point out areas that need improvement. We want to continue contributing to high-quality discussions by maintaining the right balance between support and oversight.

Usumi: Our priority is to accelerate business growth, but we must not neglect the security and data governance that underpin it. As Ms. Takahashi said, Audit and Supervisory Committee members must support the growth strategy while checking the "defensive" side for weaknesses or oversights and sounding the alarm when needed. By fulfilling both roles, we seek sustainable enhancement of the corporate value of LY Corporation. In the field of AI agents as well, by striking the right balance between growth and discipline, we aim to deliver visible results promptly and meet shareholder and investor expectations.

(Interview date: July 7, 2026)

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Balancing Growth and Discipline Through Insights Grounded in Management Experience

Genichi Tamatsuka
Outside Director (Independent Director)

Applying executive insights to drive the Company's transformation phase

Q: Drawing on your leadership across diverse industries, what led you to become an outside director of the Company, and what is your resolve?

I accepted this role because I firmly believe that LY Corporation is uniquely positioned to create new revenue models by combining its extensive user touchpoints with AI, and that its transformation can directly contribute to advancing digital transformation and economic revitalization across Japan.

I see LY Corporation as currently entering a "second founding" phase following the Group's reorganization. The challenge of combining its many user touchpoints with generative AI is tremendously exciting. But at the same time, the Company faces the unavoidable task of further enhancing its governance and risk management. Throughout my career, I have achieved both improved profitability and growth investments at multiple companies. In doing so, I have developed insights into transparent corporate governance and decision-making grounded in operational realities. I hope to apply these insights to support LY Corporation's sustainable growth.

Making strengths a competitive advantage through genuine PMI and social responsibility

Q: As an outside director, how do you view LY Corporation's key strengths and challenges?

LY Corporation's around 100 million users and vast data resources are distinctive assets even by global standards. Equally important is CEO Idezawa and the management team's clear commitment to concentrating resources on the AI agent strategy.

The principal challenge lies in execution: how rapidly the Company can turn this substantial potential into user value and, ultimately, revenue. I have been involved in organizational transformations, business revitalization, and post-integration management at multiple companies. In organizational integrations, I have repeatedly seen differences in evaluation criteria and decision-making processes across organizations slow execution. More than strategy itself, results depend on whether the entire Company can share clear criteria for what to prioritize and ensure consistent decision-making all the way to the front lines.

Security and privacy protection are prerequisites for business continuity and represent a paramount responsibility to investors and society. Rather than treating them merely as costs, I believe the Company must turn the trust they foster into a

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source of competitive advantage.

Developing effective oversight for disciplined growth

Q: How do you assess the Board's effectiveness and governance framework?
The transition in June 2024 to a Board comprising a majority of independent outside directors signaled that our corporate governance had entered a new stage.

My role extends beyond management oversight. I aim to evolve the Board into a forum that enhances the quality of management decisions. To enable the executive team to make better decisions while taking appropriate risks, I will closely examine both the underlying assumptions as well as the feasibility of those decisions. Drawing on my management experience, I will offer recommendations with a practical focus, including whether decisions will be effective and can be implemented consistently on the front lines. Through this approach, I hope to enhance both the quality of governance and management decisions without sacrificing speed.

Engaging with the market: Bridging the gap between expectations and performance

Q: How do you view the market's current assessment of the Company and engage with investors as an outside director?
I believe the market's assessment is a mix of expectations for our potential and caution over the pace of progress in governance and monetization. In particular, our ability to generate returns from AI investments through effective execution will be a key factor shaping the market's assessment of our Company.

As an outside director, I consistently bring an investor perspective to Board discussions, asking whether investments can deliver returns above the cost of capital and whether we can provide stakeholders with a consistent explanation of our decisions. My key responsibility is to serve as a bridge between the market and management by ensuring that investor concerns are appropriately reflected in management decisions while steadily building market confidence through disciplined execution.

Message to stakeholders

Q: Finally, what message would you like to share with investors and other stakeholders?
LY Corporation has learned many important lessons from past incidents and the integration process and is now shifting toward disciplined growth. While transformation inevitably involves some pain, I have no doubt about the direction of our current governance framework and strategy.

From an independent standpoint, I will maintain an objective and rigorous perspective, continuing to oversee and advise management in support of delivering on its commitments. I am committed to unlocking the full potential of the new LY Corporation and further enhancing its position as one of Japan's leading technology companies.

(Written in late June 2026)



Profile

Joined Asahi Glass Co., Ltd. (now AGC Inc.) in 1985 and FAST RETAILING CO., LTD. in 1998, becoming President and COO in 2002. Founded Revamp Corporation in 2005, leading corporate turnarounds and business growth as Representative Director and President. Joined Lawson, Inc. in 2010 and subsequently served as Representative Director and President, as well as Chairman of the Board and CEO, Representative Director. Since 2021, serves as Representative Director, President, and CEO of LOTTE Holdings Co., Ltd.
Concurrently holds positions as Outside Director of transcosmos inc., Chairman of JAPAN RUGBY LEAGUE ONE, Director and Acting Owner of Chiba Lotte Marines, and Director of LOTTE CO., LTD.
Appointed outside director of LY Corporation in June 2026.

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Strengthening Public Trust Through Transparent Management Oversight, Drawing on a Commitment to Fairness Cultivated as a Judge and Attorney

Aki Shimizu
Outside Director (Independent Director),
Audit and Supervisory Committee Member

Drawing on experience as a judge and attorney to pursue true fairness from multiple perspectives

Q: How will your experience as a judge and attorney contribute to the management of LY Corporation?

I entered the legal profession in 2006 and have engaged with society through legal disputes and other matters as a judge, attorney, and public prosecutor handling government litigations. In determining facts and making legal assessments, I have always carefully and objectively considered what is fair, seeking judgments and solutions consistent with prevailing social norms. This approach is fundamental to me as a legal professional. In particular, I believe the ability to sincerely examine facts objectively, without preconceptions or bias, is essential to overseeing corporate management.

Since becoming an attorney in 2018, I have handled numerous corporate law, labor, and misconduct matters, engaging in corporate governance from a position close to business operations. Through corporate governance study groups and other activities in which I participate as an attorney and outside director, I have continually considered how organizations should be properly managed. These experiences have reinforced my belief that compliance and risk management are not merely "defensive costs," but a foundation that enables companies to continue taking on challenges in a sound manner.

LY Corporation is now at a critical stage in rebuilding its governance. Drawing on my objective and impartial perspective in assessing facts, I will independently and continuously examine whether management decisions comply with laws and social norms and whether any risks are being overlooked.

Responsibilities as a social infrastructure and building competitive advantages based on trust

Q: As an outside director, how do you view the Company's strengths and challenges?

Our user base of around 100 million and AI strategy leveraging the data it generates are highly competitive assets even by global standards. However, their value depends on the trust of users, society, and our stakeholders.

The challenge is ensuring that awareness of governance and risk management permeates consistently throughout the Company amid rapid technological advances and organizational integration. Data privacy and information security, in particular, are no longer added value but absolute prerequisites for business

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continuity. Without them, maintaining corporate value is difficult.

What matters is going beyond mere compliance with rules to increase transparency and establish mechanisms for self-correction. We must continually verify that risks are properly identified, assessed, and addressed, and that internal controls function effectively from an audit perspective. By doing so, we can earn the trust of users and investors and make governance itself a source of competitive advantage.

Role in ensuring board transparency and constructive tension

Q: What role will you play under the new governance structure?

A Board with a majority of independent outside directors sends a clear message, both internally and externally, of the Company's commitment to stronger oversight. However, I believe its effectiveness depends not on the Board's composition but on the quality and rigor of its discussions.

As an Audit and Supervisory Committee Member, I will contribute through both management oversight and audit. Specifically, I will examine management's strategies and decisions to ensure they serve stakeholders in good faith and that anticipated risks are adequately considered and addressed. I will also verify that these processes are properly designed and operated from an internal control perspective.

By working with the internal audit division and accounting auditor to enhance the effectiveness of the "three-way audit framework," I will provide substantive support for the Board's oversight function. Particularly in highly uncertain areas such as generative AI-driven strategies, it is essential to make swift decisions while rigorously verifying their validity and ensuring accountability.

While supporting management in taking appropriate risks, I will decisively apply the brakes at any sign of deviation. I believe this balance between risk-taking and oversight will prevent erosion of corporate value and support sustainable growth.



Profile

After a career as a judge, Aki Shimizu registered as an attorney in 2018. At MEITETSU LAW OFFICES, she currently provides legal counsel on a wide range of matters, including corporate law, misconduct response, and the development of compliance frameworks. She also serves as Outside Director (Audit and Supervisory Committee Member) of EBARA JITSUGYO CO., LTD. and ISB Corporation, and was appointed Outside Director (Audit and Supervisory Committee Member) of LY Corporation in June 2026.

Dialogue with capital markets: Governance quality drives corporate value

Q: How do you approach engagement with investors?

The capital market's assessment reflects its overall trust in our ability to self-correct and our future growth potential. The market critically assesses the effectiveness of our transformation.

I always maintain the perspective of an independent third party, checking whether both the transparency and explainability of decision-making processes and the avoidance of conflicts of interest are thoroughly ensured. I will also examine whether disclosures are timely, appropriate, and consistent, thereby helping improve disclosure quality and build trust with the capital market.

Improving governance quality directly enhances corporate value over the medium to long term. The path to greater corporate value lies in ensuring transparent management, including when facts are unfavorable, and steadily delivering results. I will bridge investors and management by taking investor concerns seriously, reflecting them in management, and clearly communicating progress.

Message to stakeholders

Q: Finally, what message would you like to share with investors and other stakeholders?

LY Corporation is transforming into a stronger organization, building on lessons learned from past issues. With objectivity and fairness always in mind, I will speak candidly from an independent standpoint and use rigorous monitoring and audits to ensure that management steadily delivers on its commitments.

I will do my utmost to ensure that the value creation pursued by management is achieved on the solid foundations of law and ethics, and thereby establish trust in LY Corporation as one of Japan's leading technology companies.

(Written in late June 2026)

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Value Creation Process

Mission WOW Our Users! **Values** • 10x Faster • Disrupt and Reinvent • Uncompromising Pursuit of No. 1

External environment

- Rapid adoption of generative AI
- Sophistication of cyberattacks
- Declining working population
- Climate change

Inputs

Social capital

Communication	Information	Payments
LINE	YAHOO! JAPAN	PayPay
Usage rate of social media*1	Search service*2	Cashless payment service
No. 1 in Japan	No. 2 in Japan	No. 1 in Japan*3
Monthly active users Approx. 100 million	Average monthly users Approx. 83 million	Registered users Over 73 million

Human capital

- Group employees 29,863
- Total hours spent on capacity building training ..... Approx. 600,000 hours
- Engineers and designers*4 11,471

Financial capital

- Cash flows from operating activities ..... JPY 662.8 billion
- Capital expenditure ..... JPY 363.0 billion
- Long-term credit rating ..... JCR: AA⁻ R&I: A⁺

Manufactured and intellectual capital

- Cumulative total of AI-related patents (as of December 31, 2025) 445
- Cumulative total of registered patents (as of August 31, 2026) 4,753
- Private cloud ..... 1.2 EByte or more

Natural capital

- Total energy consumption ..... 1,971,379 GJ
- Total water withdrawal ..... 582,453 m³

Strategy / Business activities / Outputs

Growth strategy

Improving user engagement and expanding revenue opportunities through AI agents

Number of users Over 100 million × Agent i × Business accounts Over 1.4 million

Material topics

- Delivering amazing experiences through data & AI
- Establishing governance to support sustainable growth
- Operating safe & secure digital platforms
- Maximizing human capital value
- Addressing disasters and the digital divide
- Fulfilling environmental responsibilities for future generations

Business activities / Outputs

Revenue	JPY 2,036.3 billion
Adjusted EBITDA	JPY 496.6 billion
Adjusted EPS	JPY 28.7
Dividend per share	JPY 7.3

Cumulative Agent i users*5: 12 million DAU

Media Business	Commerce Business	Strategic Business
Revenue JPY 735.1 billion	Revenue JPY 857.6 billion	Revenue JPY 445.7 billion
Adjusted EBITDA JPY 280.6 billion	Adjusted EBITDA JPY 129.9 billion	Adjusted EBITDA JPY 93.9 billion
Number of LYP Premium members*5 25.25 million	E-commerce transaction value JPY 4.67 trillion	PayPay GMV (consolidated) JPY 19.4 trillion
Number of paid LINE Official Accounts*5 0.49 million	Shopping transaction value JPY 1.42 trillion	Number of PayPay transactions 9.24 billion

Outcomes

Economic value (medium- to long-term target)

- Adjusted EBITDA, Adjusted EPS ..... High single-digit growth or higher
- Shareholder returns ..... Total payout ratio of 70% or more
- ROE ..... 8% or more in FY2030

Social value creation (FY2025 results of materiality targets)

p. 23 Material Topics

Delivering amazing experiences through data & AI

- LINE MAU/Population 81.3%
- Yahoo! JAPAN DUB ..... 107 million

Operating safe & secure digital platforms

- Number of critical security incidents (LY Corporation) 0

Addressing disasters and the digital divide

- Population coverage rate through disaster agreements with local governments 98.5%
- Number of municipalities with LINE Official Accounts 1,582

Establishing governance to support sustainable growth

- Board effectiveness assessment results ..... Assessed as maintaining effectiveness
- Completion rate of e-learning on compliance issues 95%

Maximizing human capital value

- Changes in aggregate values of items related to "Facilitating growth," "Creating supportive environments," and "Fostering corporate culture," in the engagement survey ..... No maintenance or improvement observed
- Ratio of women in managerial positions 19%

Fulfilling environmental responsibilities for future generations

Scope 1, 2, and 3 GHG emissions

- Virtually net-zero by FY2025*6 ..... Achieved
- Virtually net-zero by FY2030*7 ..... 10,583 ($mtCO_2e$)
- Virtually net-zero by FY2050*8 ..... 3,066,970 ($mtCO_2e$)
- Water consumption (per JPY 1 million in revenue) ..... 0.286 m^3

(Fiscal year ended March 31, 2026)

*1 Institute for Information and Communications Policy, Ministry of Internal Affairs and Communications, "2025 Survey Report on Usage Time and Information Behavior of Information and Communication Media," published in June 2026
*2 Nielsen Digital Co., Ltd. "TOPS OF 2025: DIGITAL IN JAPAN" *3 Aggregation of the ratio of PayPay in the disclosure materials of the Payments Japan Association ("Stats - Code Payment," revised April 7, 2026), calculated by PayPay
*4 Number of STEM personnel *5 As of March 31, 2026 *6 Scope 1 and 2 / LY Corporation (non-consolidated) *7 Scope 1 and 2 / Group *8 Scope 1, 2, and 3 / Group

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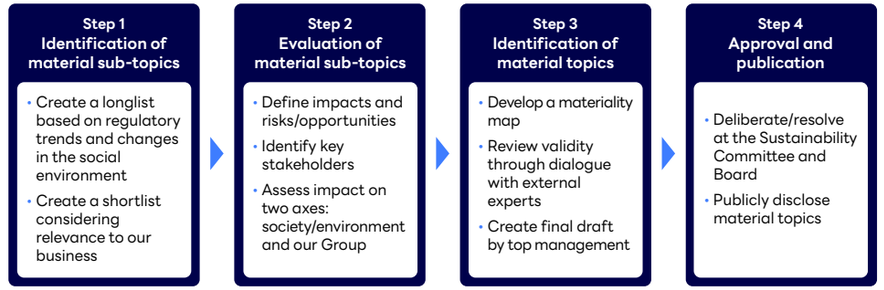
Material Topics

Material topics formulation process

Visit our website for more details

Amid advances in generative AI and concerns over climate change and information security, we identify material topics to achieve a sustainable society and corporate growth. Based on societal expectations and ERM analysis, we assess mutual impacts between society, the environment and the Company over multiple time horizons to identify priorities for reducing risks and creating opportunities.



Material topics and risks/opportunities

Visit our website for more details

We identify material topics, risks/opportunities, and time horizons through the formulation process.

Material topics	Risks	Opportunities	Time horizons of risks/opportunities*1
Delivering amazing experiences through data & AI	User attrition resulting from an inability to maintain and enhance the Company's competitiveness and customer satisfaction due to delays in the development of new data- and AI-driven services, quality deficiencies, or insufficient improvement of existing services.	User acquisition resulting from the maintenance and enhancement of the Company's competitiveness and customer satisfaction through the creation of new data- and AI-driven services and the advancement of existing services.	Short to medium term
Operating safe & secure digital platforms	A decline in public trust resulting from insufficient measures to ensure security governance, AI ethics, transparency, and other areas requiring attention as a provider of infrastructure services that support everyday life, as well as increased operating costs and loss of public trust resulting from incidents or service disruptions.	Enhanced brand value, strengthened competitive advantage, and a more stable revenue base resulting from the trust gained by fulfilling the social responsibilities expected of a provider of infrastructure services that support everyday life, including ensuring security governance, AI ethics, transparency, and other related areas.	Short to long term
Addressing disasters and the digital divide	A decline in public reputation resulting from insufficient contributions to addressing issues that support a sustainable society, such as disaster and pandemic preparedness and response, advancement of public services, improvement of information literacy, and regional revitalization.	Enhanced public reputation resulting from the development of new customers through services supporting disaster and pandemic preparedness and response, as well as contributions to addressing issues that support a sustainable society, such as advancing public services, improving information literacy, and revitalizing local communities.	Medium to long term
Establishing governance to support sustainable growth	Insufficient responses to risk management, compliance, financial foundation strengthening, and respect for human rights resulting from a failure to establish an effective governance framework, ultimately leading to impaired business continuity and a decline in public trust and reputation.	Enhanced business continuity and financial stability, establishment of a competitive advantage, expanded opportunities for new business transactions and financing, and increased corporate value through the trust gained from customers, investors, and regulatory authorities as a result of establishing a robust and effective governance framework and ensuring strong risk response capabilities and a high level of awareness of compliance and respect for human rights.	Medium to long term
Maximizing human capital value	Adverse impacts on business operations, including reduced employee performance, outcomes, and productivity, as well as delays in the development of new services and products, resulting from insufficient recruitment and development of talent with diverse perspectives and values and from mismatches between workforce skills and business strategy arising from advances in AI technologies.	Empowering people with diverse perspectives and values by promoting greater understanding and respect for diversity and providing learning opportunities for all employees to develop AI capabilities. Enhanced organizational expertise and adaptability through the acquisition and retention of AI skills, business transformation in response to rapid advances in AI technologies, and accelerated business growth through improved productivity and the creation of new services and products.	Short to long term
Fulfilling environmental responsibilities for future generations*2	Decline in public trust resulting from insufficient implementation of measures related to climate change response, water resource conservation, waste reduction, and others, accompanied by reduced competitiveness, additional costs, and risks of business disruption.	Acquisition of new business opportunities through the creation of resource-circulating services, including energy saving, renewable energy adoption, and reuse-related businesses; enhanced corporate reputation through water resource conservation; and secured business continuity through the avoidance of water-related risks.	Medium to long term

*1 Definition of time horizons: short term (1 year), medium term (3 years), long term (5 to 10 years)
*2 Refer to p. 59 regarding the time horizons and risks/opportunities for climate change.

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Material Topics—Indicators and Targets

Visit our website for more details

Material topics	Indicators	Targets	FY2024	FY2025	Future action plans	Related pages
Delivering amazing experiences through data & AI	**LINE MAU/population** Indicator to represent the number of users utilizing our Group's services. Calculated by dividing the number of users who have activated LINE with a valid account within each month by the total population (in Japan).	75% or more	79.4%	81.3%	• Continuously research and grasp trends in the latest technologies, and provide new services utilizing generative AI and data analysis. Strengthen the improvement cycle to increase and maintain service usage rates in response to constantly changing user needs. • Through UI/UX improvements and efforts to enable more natural and empathetic interactions, aim to create AI agents that can infer the user's goals and intentions, make context-aware suggestions, and autonomously assist or perform tasks that users previously handled themselves.	p. 34 Media Business p. 37 Commerce Business p. 40 Strategic Business
	Yahoo! JAPAN DUB The number of browsers used to access Yahoo! JAPAN services. If both the browser and the app on a smartphone are used, they are counted as duplicates.	110 MM or more	108 MM	107 MM		
Operating safe & secure digital platforms	**Number of critical security incidents** Critical cases at LY Corporation involving inquiries or administrative guidance from regulatory authorities.	0	1	0	• To respond to the latest threat trends, consider and implement enhanced measures, including at Group companies, to mitigate the risk of business disruptions resulting from ransomware attacks. • To provide reliable services, strengthen ethics and transparency in the use of AI and advertising operations, while ensuring thorough risk management that also covers contractors.	p. 70 CISO Message
Addressing disasters and the digital divide	**Population coverage rate through disaster agreements with local governments** Calculated as the total population of municipalities that have signed disaster agreements with LY Corporation, divided by the total population of Japan.	95% or more	98.6%	98.5%*1	• Incorporate the latest knowledge and explore a model for collaboration with local governments to ensure the reliable delivery of essential information both under normal times and during disasters. • Continuously improve disaster response apps and notification features, and optimize the UI/UX to rapidly deliver appropriate disaster and support information to more users. • Provide support for the adoption and use of digital technologies to build communities where people across generations and regions can connect, helping bridge information gaps between generations and regions.	p. 61 Social Impact
	Number of municipalities with LINE Official Accounts Number of municipalities that have launched and managed a LINE Official Account under the special municipal plan.	1,788 by 2030	1,522	1,582		
Establishing governance to support sustainable growth	**Board effectiveness assessment results (conducted once a year)** The evaluation was conducted through interviews and questionnaires administered to LY Corporation's directors, with the effectiveness results assessed by the Board.	Obtain rating confirming the Board's effectiveness.	Assessed as maintaining effectiveness.	Assessed as maintaining effectiveness.	• Continuously improve governance operations through a PDCA cycle in which action plans for the following fiscal year are developed and implemented to address issues identified through the Board effectiveness evaluation, with the results feeding into subsequent evaluations and improvements. • Further strengthen the organizational compliance framework by carefully selecting priority topics that reflect changes in the business environment and emerging risk trends, developing e-learning courses on these topics, and ensuring that all employees are fully informed.	p. 64 Corporate Governance System p. 67 Board Effectiveness Evaluation
	Completion rate of e-learnings on compliance issues Figure reflects annual training performance compiled from LY Corporation and its subsidiaries that outsource their training programs to LY Corporation, including information on training topics, intended audiences, and number of participants.	90% or more	98%	95%		
Maximizing human capital value	**Changes in items related to "Facilitating growth," "Creating supportive environments," and "Fostering corporate culture" in the engagement survey** Group-wide year-on-year performance in the engagement survey categories of growth support, environment, and philosophy strategy is evaluated using a three-point scale: improved, maintained, neither maintained nor improved.	Maintain or improve compared to previous fiscal year.	(LY Corporation (standalone)) Neither maintained nor improved*2	Neither maintained nor improved	• Strategically adopt continuously evolving AI technologies and enhance the tools and learning opportunities available to employees to support their continuous development in effectively using generative AI. By improving operational efficiency, reallocate human resources to more advanced and creative areas and drive innovation. • To empower a diverse workforce, update the corporate culture by monitoring human capital data, including the ratio of women in managerial positions, and conducting ongoing awareness initiatives based on current challenges.	p. 51 Enhancement of Human Capital
	Ratio of women in managerial positions LY Corporation's figure for each fiscal year. Managers refer to Division Leads, Unit Leads, SBU/CBU Leads, and Domain Leads.	By FY2030, same level as the gender composition of entire employees.	19%	19%		
Fulfilling environmental responsibilities for future generations	**Scope 1, 2 and 3 GHG emissions** Scope 1: GHG emissions generated directly by the Company (e.g., fuel combustion). Scope 2: GHG emissions generated indirectly by the Company (e.g., use of electricity supplied by other companies). Calculated based on the market-based method. Scope 3: GHG emissions from activities such as raw material procurement and post-sale processes.	Scope 1 & 2 to net-zero by FY2025 - LY Corporation (standalone)	8,400 $mtCO_2e$	0 $mtCO_2e$	Refer to "Climate Change and Natural Capital" (p. 59).	p. 59 Climate Change and Natural Capital
		Scope 1 & 2 to net-zero by FY2030 (LY Corporation Group)	19,689 $mtCO_2e$	10,583 $mtCO_2e$		
		Scope 1, 2 & 3 to net-zero by FY2050	4,004,124 $mtCO_2e$	3,066,970 $mtCO_2e$		
	Water withdrawal (per JPY1 MM in revenue)	10% reduction by FY2030 (Compared to FY2022) 0.261 (m^3/JPY 1 MM)	0.312 (m^3/JPY 1 MM)	0.286 (m^3/JPY 1 MM)	• Initiated a water replenishment initiative in watersheds that supply water used in data centers, pursuant to agreements concluded in FY2025. In addition, promoted waste reduction through more efficient and minimized use of resources across services aimed at achieving a circular economy.	p. 59 Climate Change and Natural Capital

*1 From this fiscal year, the FY2025 Basic Resident Register was used for population calculations. As population figures through the previous fiscal year were based on the FY2019 Basic Resident Register, the population coverage rate through disaster agreements with local governments decreased although the number of local governments concluding disaster agreements increased.
*2 As the scope was changed from LY Corporation on a standalone basis to the Group beginning in FY2025, the FY2025 results are not directly comparable with the FY2024 results.

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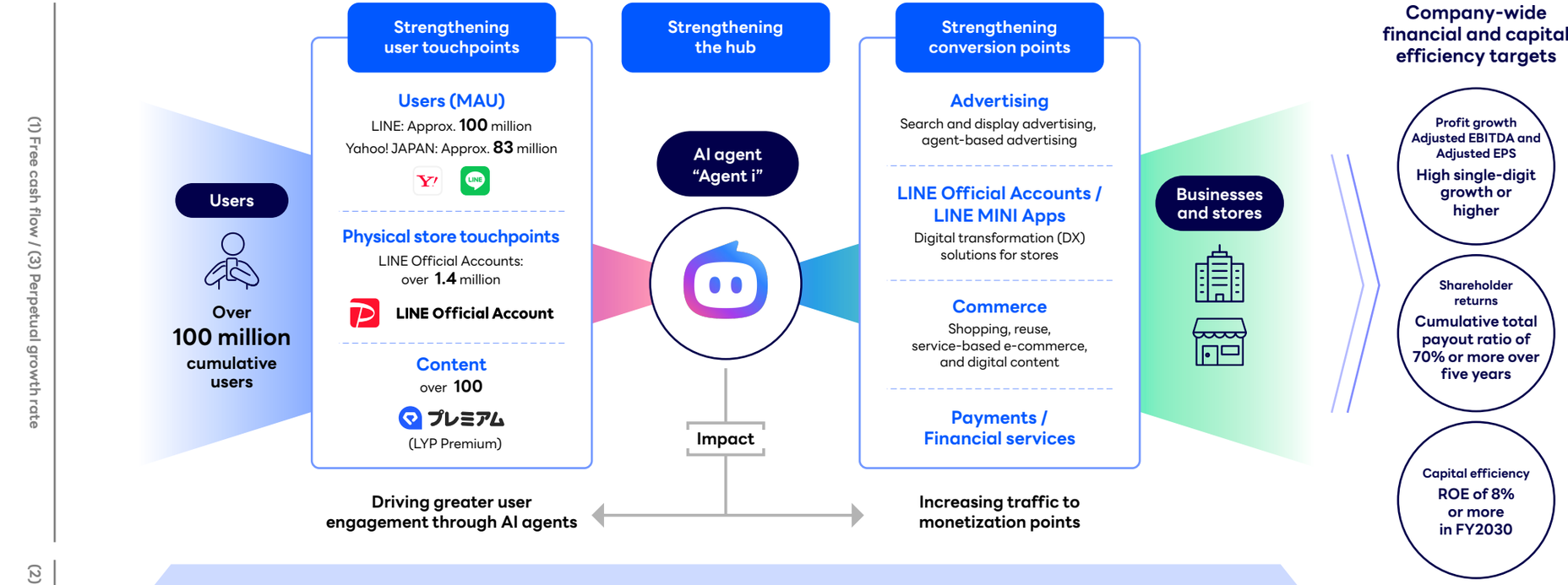
Growth Strategy

Leveraging one of Japan's largest user bases and a diverse range of services and data, we place AI agents at the core of our growth strategy. Through AI agents, we aim to connect users more effectively with businesses and stores, drive greater service usage and traffic to monetization points, and thereby achieve sustainable profit growth and enhance corporate value.

Drivers of sustainable value creation

Corporate value (≈Shareholder value) = (1) Free cash flow (Strengthening cash generation capability) / (2) WACC (Strengthening the management foundation) − (3) Perpetual growth rate (Sustainable medium- to long-term growth)

Enhancing user engagement and expanding revenue opportunities through AI agents



AI Utilization Strategy

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Redesigning Management Around AI and Redirecting Resources to Growth

Profile

After working in advertising and marketing at Dentsu, joined Boston Consulting Group, where he developed and executed business strategies, primarily in the technology domain. After serving as an executive officer at UNITED and others, joined LY Corporation (formerly Yahoo Japan Corporation) in 2023. Since 2025, he has led company-wide corporate and generative AI strategies.

Connecting functions around corporate strategy to drive company-wide AI transformation

The Corporate Strategy & Transformation Domain I lead brings together corporate functions including corporate strategy, business management, executive strategy and operations, customer analysis, finance, HR, and general affairs. Ideally, corporate strategy development, business planning, investment and portfolio management, and workforce allocation should all be aligned. However, our organization and processes had been siloed, and these functions did not always work together as effectively as they could.

Having worked on growth strategies from development through execution, I have learned that strategy remains just a plan on paper unless frontline operations, investment decisions, and workforce allocation change as well. We therefore created a structure that aligns these functions around corporate strategy and integrates strategy development and execution. Our goal is not simply to set strategy, but to coordinate these functions to drive the company forward.

Data and AI are now essential to strengthening our ability to execute. But adopting AI is not the goal. My role is to redesign management, operations, workforce, and costs with AI as a core premise and translate those changes into greater corporate value.

From streamlining tasks to redesigning work processes

With this in mind, we first created an environment where all employees use generative AI every day. Since making use of generative AI mandatory in July 2025, around 10,000 employees have begun using it. But this is only the start of our transformation. Many still use AI simply to consult on individual tasks within existing workflows.

Our goal is not to use AI merely to speed up parts of existing work. A process with steps A through E might be reduced to just α and β if redesigned around AI. We need to fundamentally rethink work itself, asking whether each task is truly necessary and how much can be entrusted to AI.

AI is evolving from a tool that answers questions into an agent that autonomously designs and executes tasks. Going forward, transformation will depend on each employee rethinking their own work, creating agents, and automating tasks. We are committed to becoming a truly AI-native organization.

Cross-functional transformation is already delivering results. In customer support, we automated email responses while maintaining the issue resolution rate, reducing outsourcing costs. In governance reviews, AI-assisted drafting and recommendations based on historical data have cut lead time from 60 to 30 days in some cases. Going forward, we will quantify these outcomes in terms of reduced labor requirements, shorter lead times, and improved quality, and use the results to drive continuous improvement.

Shifting resources to growth areas by taking a combined approach to people and AI

To expand the benefits of using AI, we need disciplined management of costs and returns. We track LLM usage by purpose and evaluate AI costs for services against revenue and future profitability.

Going forward, a workforce cost approach that combines costs in personnel, outsourcing, temporary staffing, and AI will be key. We will assess revenue, profit, and improvements in work quality generated relative to our combined investment in people and AI, and optimize our overall workforce mix.

Also, our goal of using AI to cut the time spent on

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existing work by 50% is not simply about reducing costs. We will flexibly redirect time and human resources freed up to growth areas such as LINE Official Account, LINE MINI App, and AI agents, accelerating the implementation of our growth strategy.

Facing AI disruption head-on and focusing on where we can win

Advances in generative AI could fundamentally transform existing media and services. My greatest concern is that users may shift to other companies' AI services and stop using our media and messaging services. In a world where AI agents act for both users and businesses—autonomously handling everything from information gathering to purchases and reservations—media that simply provide information and platforms that merely connect people with information may lose direct user touchpoints, weakening their traditional value models.

We are focusing on two touchpoints that will remain even as AI evolves. One is everyday communication between people, represented by LINE. The other is conversion points that lead to specific consumer actions. Through Yahoo! JAPAN Shopping, LINE Official Account, LINE MINI App, PayPay, and other services, LY Corporation Group has diverse touchpoints for reservations, purchases, customer support, and other interactions offered by businesses.

By connecting these touchpoints with AI, we can provide seamless support from conversations through purchases, reservations, payments, and after-sales support. We believe the breadth of these touchpoints and our ability to combine them will be a source of competitive advantage in the AI era. To succeed, however, we need to be selective about where we allocate our limited resources. Rather than retain every business equally, we will determine which businesses to transform with AI, maintain, or fundamentally reassess, and reallocate people and investment accordingly. We will prototype new AI services early, evaluate DAU, NPS*, and future profitability, and reassess those that fall short. By balancing execution speed with investment discipline, we will concentrate resources in areas where we can win.

* NPS (Net Promoter Score/System): A metric developed by Fred Reichheld, a Bain & Company fellow, to measure users' level of confidence in and loyalty to a company or a service.

Evolving roles and translating internal transformation into external value

As AI changes the fundamentals of work and business, the roles expected of employees will also change. The key is for employees to evolve their roles by effectively using AI agents, orchestrating multiple agents, and maximizing results. Training alone is not enough to make this shift. We also need to adapt our HR systems for the AI era, including reviewing evaluation and compensation systems, clarifying required competencies, and optimizing workforce allocation.

As a foundation for this transformation, management has been candid with employees about the harsh reality that AI could disrupt our existing businesses. We recognize that employees are anxious about changes in the AI era and that there is still room to improve employee engagement. However, precisely because the reality is challenging, we believe management has a responsibility to communicate it openly and clearly. We will be upfront about the risks, explain where we will compete and what role each employee is expected to play, and provide the necessary opportunities for learning and new challenges, along with appropriate evaluation systems.

Most importantly, employees need to see that the new strategy is driving growth in their services. We will redirect the time freed up by AI to new challenges and turn those efforts into results. We believe that seeing this impact firsthand will lead to meaningful improvements in engagement.

LY Corporation's strength lies in its ability to advance internal transformation and external value creation together by transforming internal work processes and applying the insights and speed gained to improve services for users and businesses. We will redesign our management foundation around AI and redirect the resulting time, human resources, and capital to growth areas. By turning the momentum of transformation into new value creation, we aim to achieve sustainable growth in corporate value.

(Interview date: July 24, 2026)

A virtuous cycle of management resources driven by AI transformation



AI Agent Strategy

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Making Agent i Japan's New Standard —Building a Growth Platform That Strengthens with Use

Profile

Joined Yahoo Japan Corporation (now LY Corporation) in 2007. After working as an editor for Yahoo! JAPAN Kids and the Yahoo! JAPAN Top Page, led the Top Page service, including its smartphone rollout. Later headed advertising systems and search services before leading the development and advancement of Agent i from its launch to the present.

Setting the standard in the age of AI agents

The evolution of generative AI is fundamentally changing competition on the internet. Until now, users have searched for information, compared services, made decisions, and taken action. Going forward, AI agents will understand users' intentions and provide seamless support from gathering and comparing information to making reservations and purchases. This is not simply the addition of new features, but a structural transformation that will reshape how users begin their activities online.

Our goal is not for Agent i to become just another AI service, but an AI agent people naturally turn to whenever they want to find something out, make a decision, or get something done. Just as PayPay expanded where it can be used and its user base to establish a strong position in Japan's QR code payment market, Agent i will expand its touchpoints with consumers and businesses, setting a new standard for the age of AI agents.

Turning connections with 100 million users into a competitive advantage

We do not intend to win by developing foundation models or competing on the scale of investment. What matters is turning cutting-edge AI technology into value and user experiences that become part of everyday life. LINE and Yahoo! JAPAN give us a major advantage, providing daily touchpoints with around 100 million users. People can use Agent i as a natural extension of their existing habits. This gives us an advantage in making AI a service for everyone, rather than a tool for people with specialized knowledge.

LY Corporation also operates more than 100 services, enabling us to help users achieve goals across many aspects of daily life. Combining diverse data from these services with interactions on Agent i can deepen our understanding of users and improve the memory function central to personalization. Our strength also lies in connecting with businesses through more than one million LINE Official Accounts and Agent i for Business. This gives users access to first-party information and services and enables Agent i to support reservations, purchases, inquiries, and other actions, setting it apart from general-purpose AI chat services.

These assets alone do not create a competitive advantage. Agent i is readily accessible within LINE and Yahoo! JAPAN, requires no complex prompts, provides reliable information for its recommendations, and safely performs actions within limits set by users. By refining these elements into a polished user experience and making Agent i part of everyday life, our touchpoints and services can become barriers to entry.

Expanding adoption among consumers and businesses

At the heart of our strategy is expanding adoption among consumers and businesses at the same time. More consumer usage increases the value for businesses to connect with Agent i, while more business connections provide more accurate information and options for reservations and purchases, making Agent i more useful to consumers and driving further adoption. We will accelerate this two-sided network effect through LINE, Yahoo! JAPAN, LINE Official Accounts, and Group assets including payment services.

Another key is expanding agents across daily life while connecting them under a master agent. Through shared memory and task infrastructure, Agent i can continuously understand each user and support multiple goals. We believe the AI agent that supports the widest range of everyday situations through a

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single, integrated experience will become the standard.

Our approach to development is also changing. Moving beyond the boundaries of the former Yahoo Japan Corporation and LINE Corporation, younger employees are leading task forces, working directly with management to refine ideas, and taking the initiative to turn them into reality. In a rapidly changing market, waiting for the right answer is itself the greatest risk. We need to decide quickly, test quickly, and apply what we learn. We will also develop common infrastructure across the company to increase rollout speed while controlling development costs. By pursuing numerous initiatives while concentrating investment in shared infrastructure, we will continuously expand opportunities to use Agent i.

Driving usage toward monetization

Agent i is still in its early stages as we roll out services and features to bring our vision to life. Our first priority is growing the number of users, particularly daily active users (DAU). To become the standard, Agent i must become something people use repeatedly in daily life, although success varies by area.

For recipes, frequency of use is important, while for travel and car searches, successful outcomes and conversions matter more. We track user growth and the range of areas in which Agent i is used, while measuring whether users achieve their goals in each area. These KPIs allow us to track user value rather than just traffic.

As users shift from searching for information to getting answers from AI, we recognize that revenue from our existing businesses could be affected. Early monetization of Agent i is therefore an urgent priority.

We are exploring four monetization models. The first is user subscriptions, focusing on high-value features that address everyday needs and challenges. The second is advertising, integrated naturally into the experience as useful recommendations rather than simply as ad space. The third is transaction fees through the agent. The commercial value created as Agent i supports users' decisions and actions, such as reservations, purchases, and applications, contributes to business growth. The fourth is client fees through Agent i for Business. Businesses can use AI agents through channels such as LINE Official Accounts to improve customer service, promotions, and operational efficiency, creating new B2B revenue opportunities.

The optimal monetization model for AI agents is still being explored globally. We need to test multiple options quickly and identify models that create value for consumers and businesses without compromising the user experience. As we redefine our search and media businesses for the AI era, we will develop Agent i into a platform for LY Corporation's next stage of growth.

The next stage of growth powered by Agent i

Our first priority is to make Agent i by far the most widely used AI agent in Japan. We will integrate LINE and Yahoo! JAPAN's everyday touchpoints, our broad range of services, business connections, and infrastructure supporting actions through to payment to create an experience anyone can use without specialized knowledge. More users will attract more businesses, expanding what Agent i can do and driving further usage. Establishing this self-reinforcing growth cycle early is our most important management priority.

We will expand both the situations in which Agent i is used and the quality of outcomes. Once users experience its convenience in one area, we will make it easy to use in others. By connecting with more businesses, Agent i can support users in more situations, from providing information to helping them take action. Through this process, we will evolve Agent i into a growth platform connecting consumers with businesses.



We believe AI should do more than improve efficiency. It should serve as a partner for each user and enrich people's lives. While AI removes everyday pain points, our service design will preserve distinctly human value, including time to engage with our emotions and unexpected discoveries. We want Agent i to be the first service that comes to mind and one users can use with confidence and peace of mind. We hope you will look forward to the new user experiences only LY Corporation can provide and the potential of AI agents to enhance corporate value.

(Interview date: July 13, 2026)

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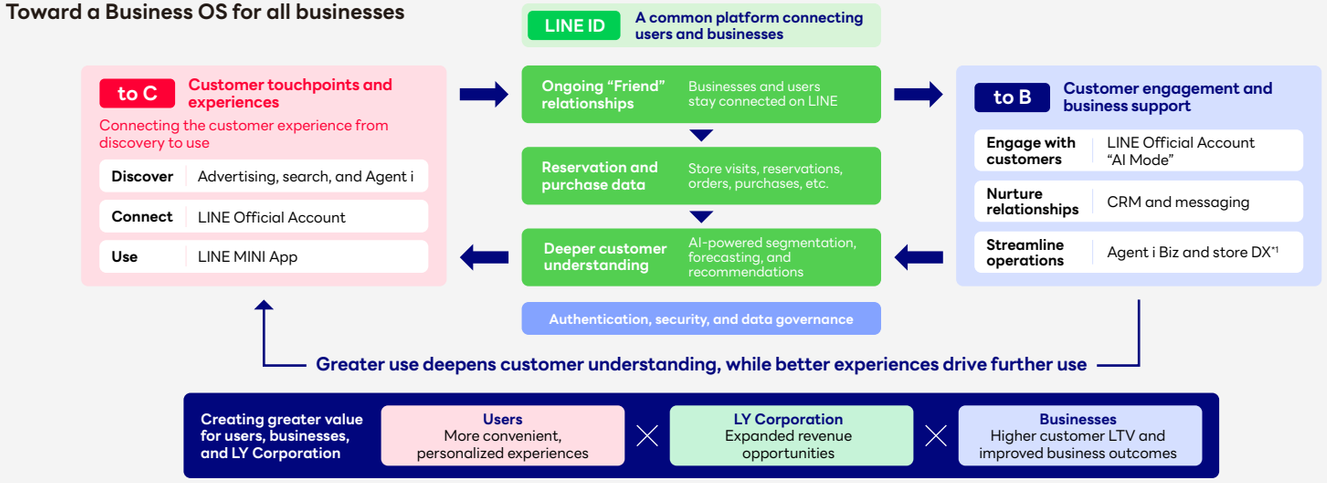
LINE Official Account and LINE MINI App: Strategy and Market Size



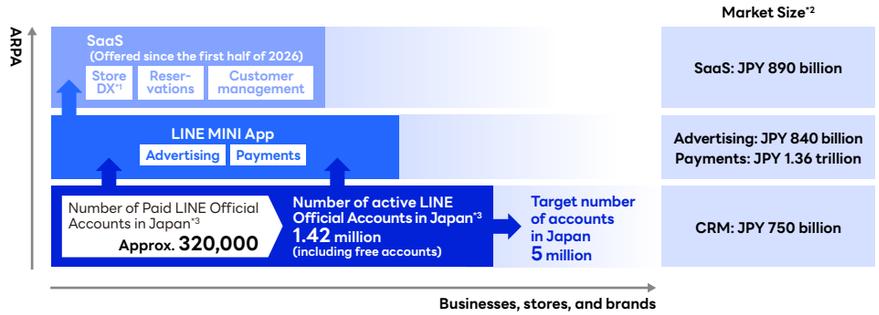
A platform that builds on connections with users, enhances value through data and AI, and supports the growth of businesses and users

Our strength lies in connecting users and businesses through LINE ID and building ongoing relationships with them. We leverage data accumulated through reservations, orders, purchases, and other activities conducted via LINE Official Accounts and LINE MINI Apps to deepen our understanding of customers, enhancing both users' customer experiences and businesses' operations and customer engagement on a single platform. As use expands among both users and businesses, data and value accumulate, driving further use on both sides and expanding our revenue opportunities.

A JPY 3.8 trillion potential market and vast white space ahead

The potential market for LINE Official Account and LINE MINI App extends beyond traditional advertising to encompass payments, CRM, store DX*1, and SaaS, totaling approximately JPY 3.8 trillion.

Of the approximately 320,000 paid LINE Official Accounts in Japan (as of the end of June 2026), only tens of thousands of customers currently use multiple services, such as advertising, commerce, and LINE MINI App. In addition to acquiring new customers, progressively converting existing customers into higher-value (higher-ARPA) customers who use multiple services forms the starting point for our medium- to long-term growth story.



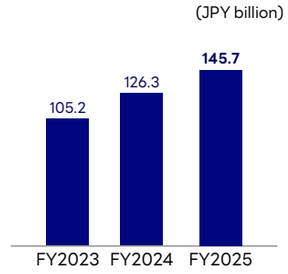
*1 Digital transformation (DX) of stores
*2 Domestic market size estimated based on external data and our research and assumptions *3 As of June 30, 2026

Account advertising revenue reaches JPY 145.7 billion, with continued growth in LINE MINI App

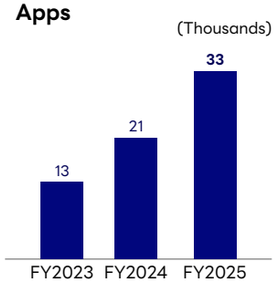
Account advertising revenue increased to JPY 145.7 billion in FY2025, up 15.3% year on year, driven by sustained growth in the number of paid LINE Official Accounts and increased pay-as-you-go billing. LINE MINI App MAU also rose to 28.97 million.

To further accelerate this momentum, we have begun offering store DX solutions for food service and beauty businesses. Through the establishment of LY Business Partners Corporation, we have built a nationwide framework for expanding these solutions to small and midsize businesses and are pursuing the goal of deploying them across a total of 100,000 stores.

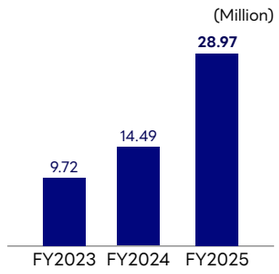
Revenue



Number of LINE MINI Apps



LINE MINI App MAU



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LINE Official Account and MINI App Strategy



Shohei Niki
Executive Corporate Officer,
Domain CPO,
Corporate Business Domain

Transforming LINE Official Accounts into Business Agents
—a Business OS from LY Corporation That Drives Results by Strengthening Relationships Between Businesses and Users

Profile

Joined LINE Corporation in 2015 and became its youngest corporate officer in January 2019. Was involved in the revamp of LINE Official Account and the launch of LINE Ads, expanding products primarily across Japan, Taiwan, and Thailand. Currently heads products for businesses at LY Corporation, driving the development of a cross-domain business platform. Also serves as a director of the Japan CPO Association.

Making interactions with businesses simpler and more natural

My decision to join LINE came from a desire to simplify communication between businesses and users. At my previous company, I launched a B2C business and saw interactions fragmented across phone calls, email, and web forms, making them unnecessarily formal and cumbersome. Users had to find the right contact point, verify their identity, and repeatedly provide the same information. I believed LINE, which people use every day, could remove this friction and connect businesses and users more naturally.

At the time, chatbots mainly handled simple question-and-answer exchanges. Advances in generative AI are now making it possible to understand users' intent and context and support the full journey from dialogue, reservations, and purchases to customer inquiries.

Using LINE IDs to eliminate the need to start from scratch

Fragmented communication remains common among businesses today. The same user may be treated as a different person in each channel, and past conversations and purchases may not be reflected in the next interaction. Even after users become friends with a LINE Official Account, conversations, reservations, and orders may remain in separate systems, forcing each interaction to start from scratch.

With user consent, we will connect these touchpoints around LINE IDs so that information and context are carried forward to the next interaction. In Japan, where the population is declining, business growth cannot rely solely on new customer acquisitions. Businesses need to understand existing customers, deepen those relationships, and increase lifetime value (LTV).

The "business OS" I envision is a common platform for businesses to meet users, build relationships, and support reservations, purchases, and customer service. Advertising creates the initial connection, LINE Official Accounts deepen relationships, and LINE MINI Apps and commerce enable users to complete actions. By connecting these elements into a single customer experience, we will create a structure in which better outcomes for businesses and our own growth are aligned.

Transforming LINE Official Account from a customer outreach tool into a foundation for business growth

LINE Official Account is the starting point for this vision. Japan had more than 5 million business establishments as of June 2021, while there were approximately 320,000 paid LINE Official Accounts in Japan as of the end of June 2026. The definitions differ, so the figures cannot be directly compared. Even so, we see substantial room for businesses to use LINE as a customer touchpoint.

The opportunity goes beyond account numbers. We can expand each company's relationship with us from LINE Official Accounts to LINE MINI Apps, advertising, commerce, and SaaS solutions for business operations. We can also take the model refined in Japan to Taiwan and Thailand, where LINE is widely used. Our addressable market is defined by multiplying three factors: number of businesses × value provided × geographic reach.

We have also reviewed how our products work together. We are creating pathways that lead businesses to open and use a LINE Official Account regardless of which service they start using, whether that is placing ads through LY Ads or opening a store on Yahoo! JAPAN Shopping.

Revenue opportunities will expand beyond message-based fees to include optional fees for CRM, chat, and membership card features, as well as advertising and commerce. By providing more value,

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we will raise the average revenue per account (ARPA) and evolve LINE Official Account from a customer outreach tool into a customer platform for businesses and a sustainable revenue platform for us.

Targeting JPY280 billion in LINE Official Account-related revenue in FY2028

LINE MINI App is an app platform that enables businesses and stores to offer their services on LINE. Users can complete specific actions on LINE, including making reservations, placing orders, using membership cards, playing games, and accessing content, without downloading a separate app. By combining LINE Official Accounts, which enable businesses to stay connected with customers, with LINE MINI Apps, which enable users to take action, we can support the full customer journey from acquisition to repeat visits and purchases.

We have set a target of achieving JPY280 billion in revenue related to LINE Official Account in FY2028, including revenue from LINE MINI App and digital transformation solutions for physical stores, both of which are our current key focus areas. To achieve this, we will build multiple revenue streams, including in-app advertising and charges, optional SaaS fees, LINE Official Account messaging fees, referrals to advertising and commerce, and revenue sharing with partners.

One priority is digital transformation for restaurants and beauty salons. Our advantage lies in combining the reservation and customer management expertise of Toreta, now part of LY Corporation Group, with our CRM platform. Together, they enable stores to regularly engage with customers through LINE Official Accounts and LINE MINI Apps, handling reservations, orders, and repeat-visit initiatives on LINE. This will help stores build their own customer bases while optimizing customer acquisition spending.

The key is to go beyond connecting users and businesses and enable users to complete actions such as reservations, orders, and purchases. These actions can be measured, enabling performance-based monetization. By creating a model in which greater business use drives our revenue, we can build a platform that grows sustainably.

Turning LINE Official Accounts into business agents through AI and trust

As we work to build a platform that can grow sustainably, my greatest concerns are the risk of declining use of the LINE app and the possibility that LINE Official Account messages could become noise, damaging the relationships businesses have built with users. AI should not increase the number of messages, but deliver the interactions each user needs and support them through to the desired outcome.

At the center of this effort is “Agent i for Business” for businesses and stores. It consists of “AI Mode,” which enables LINE Official Accounts to serve and support users, and “Agent i Biz,” which supports business operations and analysis.

“AI Mode” acts as a “worker” that understands the context of the customer relationship, launches LINE MINI Apps from conversations, and completes tasks. For example, if a user messages at night, “Same time next week,” AI could identify the request from past activity and, after necessary confirmation, proceed through reservation and payment. Businesses could receive reservations when staff are unavailable, while users would no longer need to find the right contact point or repeat the same request. This is the experience we intend to create on LINE. In the future, a key differentiator will be how much customer context businesses can accumulate and carry forward into the next experience.

Agent i Biz will support customer analysis, campaign planning, and message creation. It will also connect



with tools businesses use, enabling processes to be completed through conversations with AI without moving among multiple management screens.

As generative AI increases the volume of information and makes authenticity harder to determine, who is providing the information and who has authorized AI to act will become increasingly important. Trust infrastructure, including verified business accounts, is a major competitive advantage for us. Rigorous data governance and security allow users to entrust everyday tasks to AI with confidence and businesses to use AI in a trusted manner. The relationship between businesses and users remains central. AI is the worker that understands and strengthens that relationship and turns it into results.

Over the next three years, we will bring together LINE Official Account as a customer touchpoint, LINE MINI App as an execution platform, and AI as the workforce. Our goal is for every business to have its own business agent. We will transform LINE Official Accounts from a place for delivering messages into business agents that understand customers, take necessary actions, and generate results. That is the “business OS originating from LY Corporation” that we intend to build.

(Interview date: July 15, 2026)

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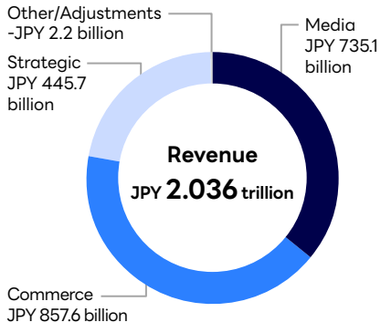
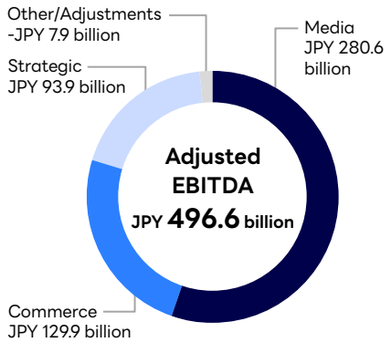
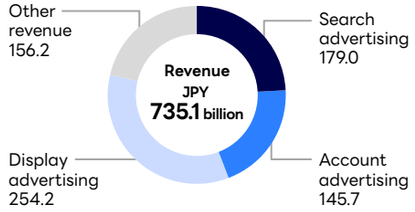
Consolidated



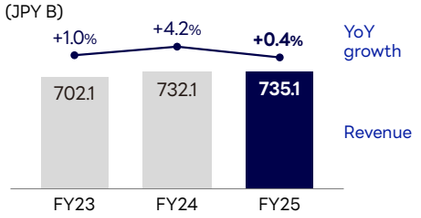


Media

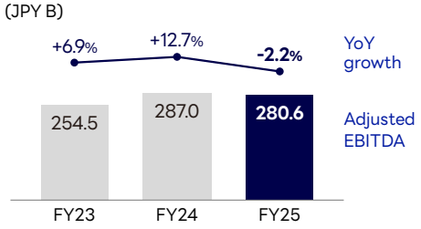
Revenue Breakdown



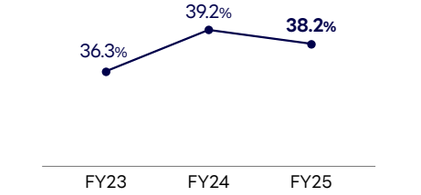
Revenue and YoY Growth



Adjusted EBITDA and YoY Growth

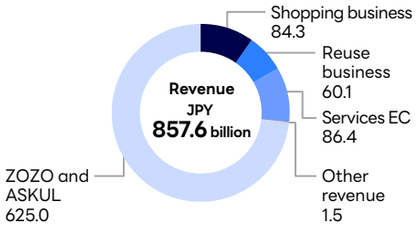


Adjusted EBITDA Margin

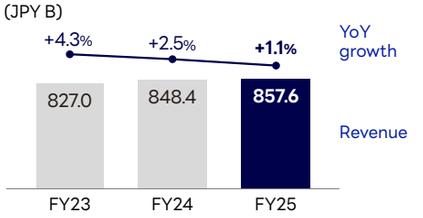


Commerce

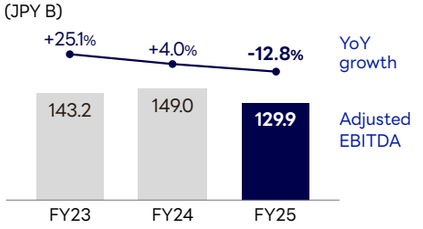
Revenue Breakdown



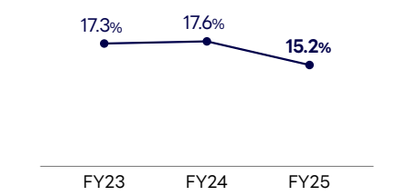
Revenue and YoY Growth



Adjusted EBITDA and YoY Growth

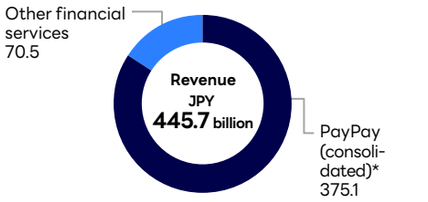


Adjusted EBITDA Margin



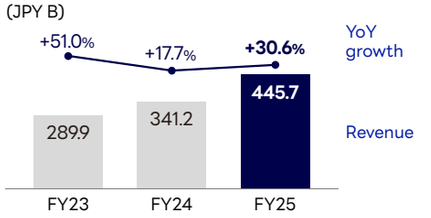
Strategic

Revenue Breakdown

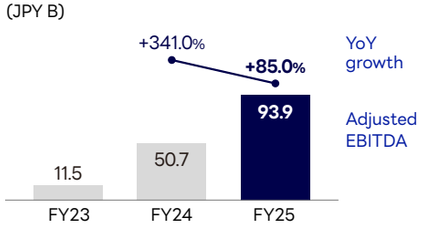


*The total of PayPay Corporation, PayPay Card Corporation, and Credit Engine, Inc. are included.

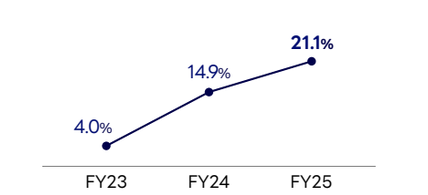
Revenue and YoY Growth



Adjusted EBITDA and YoY Growth



Adjusted EBITDA Margin



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Growth Strategy: **Media Business**

Business Domain: Advertising (Search Ads, Account Ads, Display Ads), Others

Advertising Revenue in FY2025 JPY **657.5** billion

LINE Monthly Active Users[*1] Approx. **100** million

Yahoo! JAPAN Average Monthly Users[*2] Approx. **83.0** million

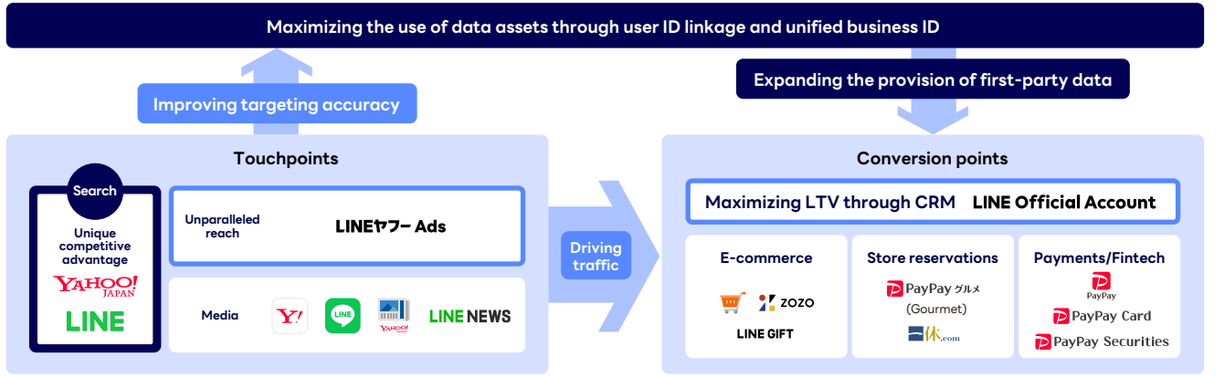
*1 Domestic MAUs of the LINE app (as of March 31, 2026)
*2 Nielsen Digital Co., Ltd. "TOPS OF 2025: DIGITAL IN JAPAN"



By leveraging group assets and enhancing our products, we aim to further grow advertising revenue

Competitive advantages

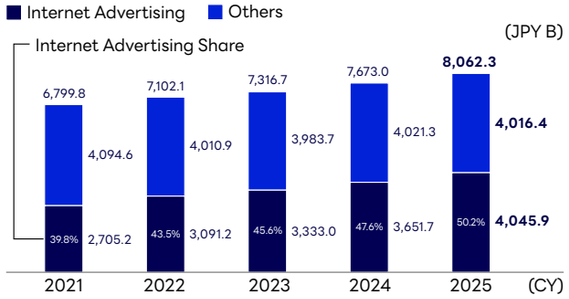
Our Group's uniqueness lies in the abundant first-party data obtained from a diverse range of touchpoints and conversion points.



Market overview

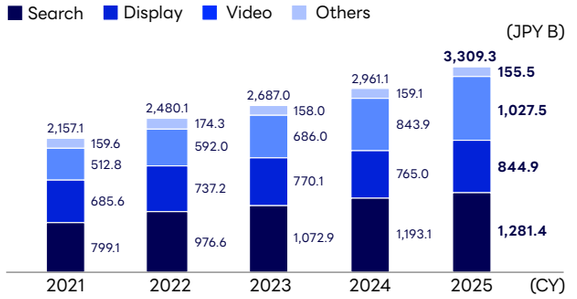
In 2025, the internet advertising market in Japan grew steadily on the back of ongoing digitalization, reaching a record high. Internet advertising accounted for 50.2% of total advertising spend in Japan. Media spend—which makes up approximately 80% of all internet advertising—grew by 11.8% year over year to JPY 3.3093 trillion, particularly driven by the rise of video ads, including vertical video ads on social media platforms.

Advertising Expenditures in Japan



Source: 2025 Advertising Expenditures in Japan, DENTSU INC.

Breakdown of Internet Advertising Expenditures by Ad Type



Source: 2025 Advertising Expenditures in Japan: Detailed Analysis of Expenditures on Internet Advertising Media, DENTSU INC.

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Media Business

Recognition of the external environment, and our business strategy

Growth opportunities and risks

Opportunities

- Growth in advertising revenue supported by the continued upward trend in internet advertising expenditures
- Enhanced ad delivery and stronger pathways to Official Accounts and MINI Apps through the LINE revamp (Home tab and MINI Apps tab)
- Revenue growth through new AI monetization models, including user subscriptions and agent-based advertising

Risks

- Decline in advertising revenue from existing services due to changes in user behavior associated with the use of AI features
- Decline in segment profit due to higher generative AI-related costs and increased promotional expenses for MINI Apps and other services

Business strategy

- Promote the incorporation of AI agents into user-facing services
- Strengthen pathways to LINE Official Accounts and MINI Apps from the MINI Apps tab and advance the “Business OS” initiative
- Provide AI agent capabilities that support the digital transformation of operations and customer service for companies and stores

LYP Premium

In FY2025, LYP Premium membership expanded significantly to 25.25 million IDs, driven by strong growth in paid members. This growth was supported by the addition of convenient benefits, including LINE backup functionality and the ability to unsend messages without notification. In addition, a bundled plan with Netflix launched in February 2026 further accelerated membership growth. As a subscription-based business that generates stable recurring revenue, LYP Premium supports revenue growth in the Media Business. We will continue improvements centered on adding new features to LINE, while also considering the development of functions that enhance user convenience, such as expanding paid AI plans for users, as we respond to diversifying needs and further expand our membership base.

Free cash flow generation — Initiatives for sustainable growth and enhanced corporate value over the medium to long term

LINE revamp (Home tab)

Starting in FY2025, we have been rolling out a phased revamp of LINE’s tabs. In FY2025, we revamped the Wallet tab into the MINI Apps tab to encourage greater use of MINI Apps. In FY2026, we are substantially revamping the Home tab and introducing a content-feed UI to create personalized experiences and an entry point for AI use through “Agent i.” We will also maximize revenue by expanding video advertising while using the newly established Shopping tab to drive our 100 million MAUs to commerce services. We will continue to implement features rapidly, strengthening both our competitiveness as a media platform and our revenue base.



Objectives

- Provide personalized content
- Create an entry point for AI use by LINE users
- Strengthen pathways from the MINI Apps tab to Official Accounts and MINI Apps

Expected effects

- Increase time spent and frequency of engagement
- Expand advertising opportunities, including video ads
- Expand AI usage

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Message from management



Yuki Ikehata

Executive Corporate Officer,
Corporate Business Domain Lead

Transforming Official Accounts into a customer base and shifting to a high-profit portfolio

Japan's internet advertising market exceeded JPY 4 trillion in 2025, accounting for more than half of total advertising expenditures for the first time. At the same time, changes in the external environment are becoming increasingly significant each year, including the spread of generative AI and uncertainty in overseas conditions. To achieve sustainable growth in this market, we must leverage our strengths and evolve our advertising products so that they continue to be chosen by users and advertisers.

Our strength lies in our ability to reach users across all demographics, covering more than 80% of Japan's population through LINE and Yahoo! JAPAN. By leveraging this strength and transforming Official Accounts into a customer base, we aim to build the largest customer base in Japan. By significantly increasing revenue from high-gross-margin account advertising and MINI Apps, we aim to transform our portfolio so that account advertising and MINI Apps account for approximately 40% of total advertising revenue in FY2028, while raising the Media Business adjusted EBITDA margin to 40%–45%.

In FY2026, we expect account advertising revenue to grow by around 15% YoY, while pursuing new monetization initiatives such as advertising and payment fees through MINI Apps and store DX solutions. We will also increase the share of relatively high-margin user subscription businesses, including LYP Premium, to shift toward a portfolio that delivers higher-quality profit growth. Through these efforts, we aim to offset declines in search and display advertising amid market conditions that remain challenging, as they were in the previous fiscal year, and achieve stable growth across the Media Business.



Hiroshi Kataoka

Executive Corporate Officer,
Media Search Domain Lead

Providing a new search experience and evolving into media that continues to earn user support

FY2025 was a challenging year for search advertising revenue due to changes in advertisers' spending policies and budget reductions. In addition, user behavior is steadily changing with the spread of generative AI, and as of the end of FY2025, AI-generated answers were displayed in approximately 13% of all search results. Although a future shift toward AI search is inevitable, we view changing user needs as our next growth opportunity and will further strengthen our initiatives in this area.

We position FY2026 as a transition period in user search behavior and plan to promote the use of AI search while continuing to expand queries generated through AI. At the same time, to offset declining revenue from existing search advertising, we plan to begin placing ads in AI search results during the second half of the fiscal year, with the aim of monetizing the new search experience.

Expanding advertising revenue in the Media Business requires not only enhancing advertising product functionality but also increasing the appeal of each service as an advertising medium. To continue evolving as a media platform that continues to earn the support of users and advertisers amid a changing external environment, we will focus on three areas: increasing impressions, improving matching accuracy, and expanding ad inventory.

Specifically, we will increase user touchpoints and impressions by expanding the use of AI agents and increasing Home tab usage through the LINE revamp. At the same time, we will use diverse data to deepen our understanding of users, improve matching accuracy, and deliver ads aligned with their interests in real time. We will also focus on expanding video ad inventory, which is driving market growth. Rather than simply increasing the number of ad impressions, we will evolve our media so that video ads are naturally accepted and aim to create an optimal user experience.

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Growth Strategy: **Commerce Business**

Business Domain: Merchandise E-Commerce (Shopping Business, Reuse Business, ASKUL BtoB Business), Services E-Commerce, Digital E-Commerce, Cross-Border E-Commerce

FY2025 E-Commerce Transaction Value JPY **4.67** trillion

FY2025 Shopping Business Transaction Value JPY **1.42** trillion

FY2025 Reuse Business Transaction Value JPY **1.09** trillion



We aim to balance growth and profitability by leveraging Group assets to expand the Group's ecosystem and improve cost efficiency

Competitive advantages

Offering diverse commerce experiences backed by a wide-ranging business portfolio that reaches a broad user base

LY Corporation Group's unparalleled user bases in Japan

LINE	YAHOO! JAPAN	PayPay
Communication	Information	Payments
Approx. 100 million users*1	Approx. 83 million users*2	over 73 million users*3

*1 LINE's monthly domestic active users, as of March 31, 2026
*2 Nielsen Digital Co., Ltd. "TOPS OF 2025: DIGITAL IN JAPAN"
*3 PayPay registered users as of March 31, 2026
*4 LINE Brand Catalog is a shopping platform where users can earn points when they make purchases via participating stores.

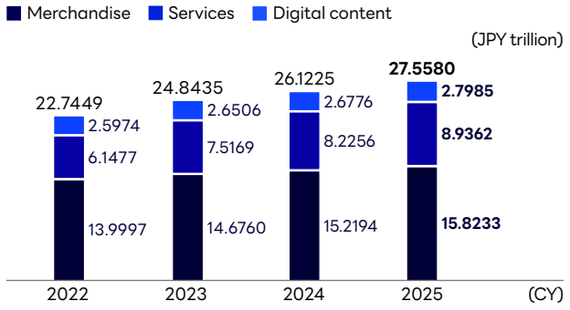
Diverse commerce services

- **Reuse** (secondary market): YAHOO! オークション, YAHOO! フリマ, BEENOS
- **Specialty e-commerce** (category-specific marketplaces): ASKUL, ZOZO, LOHACO
- **Shopping mall** (broad product selection): YAHOO! ショッピング
- **Services e-commerce** (travel, dining reservations): 休.com, YAHOO! トラベル, PayPay グルメ
- **Other e-commerce*4** (social gifting, quick commerce): LINE GIFT, LINEブランドカタログ

Market overview

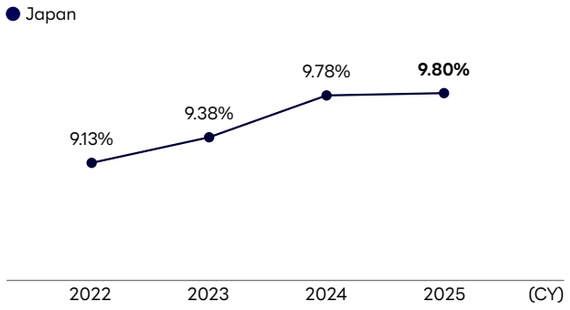
According to the Ministry of Economy, Trade and Industry (METI) survey, in 2025, Japan's BtoC e-commerce merchandise market reached JPY 15.8233 trillion (up 3.97% YoY), with an e-commerce penetration rate of 9.80% (up 0.02% YoY).

Domestic BtoC E-Commerce Market Size



Source: METI: "Market Research Report on Electronic Commerce 2025"

E-Commerce Penetration Rate of the BtoC EC Market



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Commerce Business

Recognition of the external environment, and our business strategy

Growth opportunities and risks

Opportunities

- Increase in transaction value driven by growth in the reuse market and the travel and dining sectors
- Improved profitability through the Shopping Business's shift to a sales royalty model
- New purchasing experience through the addition of commerce pathways in the LINE app

Risks

- Erosion of market share due to the rise of competing e-commerce platforms
- Decline in profitability due to increases in sales promotion expenses and other costs in the shopping and reuse businesses

Business strategy

- Promote cross-use by linking touchpoints across LINE, Yahoo! JAPAN, and PayPay and leveraging LYP Premium
- Continue introducing AI agents in the reuse business, including features that suggest market prices

Free cash flow generation **Initiatives for sustainable growth and enhanced corporate value over the medium to long term**

Yahoo! JAPAN Shopping plan revision

In September 2026, we revised the merchant plans for Yahoo! JAPAN Shopping. While eliminating merchant fees under the 2013 "e-commerce revolution" helped expand the platform's scale, improving the quality of the marketplace remained a challenge, so we are working to enhance user convenience.

We will also strengthen customer acquisition via LINE by adding a Shopping tab to the LINE app, while expanding AI-powered purchasing and store-operation support features. Anticipating the growing use of AI agents in purchasing, we also plan to introduce commissions on AI-based transactions and new advertising products. By flexibly reviewing our business model in response to changes in the operating environment and shifting our focus from quantitative expansion to qualitative growth, we will pursue sustainable growth and enhance corporate value over the medium to long term.

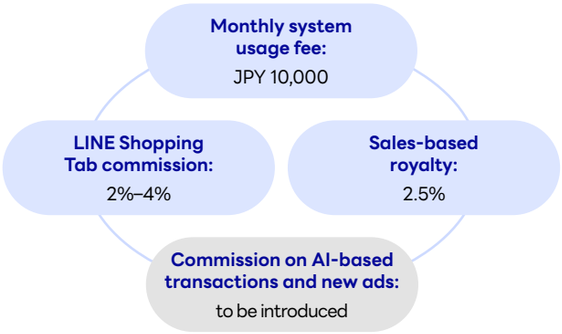
Use of AI in the Commerce Business

In the Commerce Business, we are strongly promoting the use of AI to improve user convenience.

Yahoo! JAPAN Shopping has introduced features such as product comparisons and review summaries through interactions with AI agents, search assistance, and product recommendations, and the share of transaction value attributable to AI-assisted transactions is increasing. For merchants, we have also launched Yahoo! EC Pilot, offering features that improve operational efficiency, such as responding to inquiries, as well as functions that support sales growth, including analysis of LINE message delivery results. In the reuse business, we also offer a feature that provides information such as market prices using AI when users send a photo through the Yahoo! JAPAN Flea Market app or a LINE Official Account, improving user convenience.

Yahoo! JAPAN Shopping plan revisions (September 2026)

- Transition from an advertising-based model to a sales-based royalty model
- Profitability improvements anticipated through the plan revision
- Also scheduled to introduce a commission on AI-based transactions



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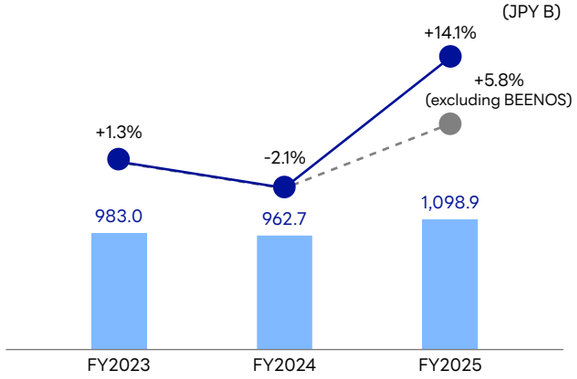
Growth of the reuse business

In FY2025, reuse business transaction value increased 14% year over year. One of the main factors was the addition of BEENOS Inc. to the Group. BEENOS provides Buyee, a cross-border e-commerce purchasing support service. Even excluding BEENOS, transaction value increased 5.8% year over year. At Yahoo! JAPAN Flea Market, we strengthened marketing activities, particularly in the entertainment category, and enhanced functionality, including enabling listings via the web. These initiatives increased the number of buyers, mainly through growth in lower-priced transactions, driving transaction value up 35% year over year.

At Yahoo! JAPAN Auction, initiatives such as integration with LINE notifications helped expand the supply of high-quality items, primarily increasing average spend per customer. As a result, transaction value returned to positive growth from the second quarter and achieved positive growth for the full year. In FY2026, we will continue to pursue further growth in transaction value through AI utilization and functional enhancements.

Reuse transaction value and growth rate (YoY)



Message from management

Creating new purchasing experiences through the introduction of AI agents into services and the LINE shopping tab



Makoto Hide

Executive Corporate Officer, Commerce Domain Lead

*Appointed COO (Chief Operating Officer) effective October 1, 2026

Japan's e-commerce penetration rate has been increasing year by year, and e-commerce is steadily becoming established as part of everyday infrastructure. We introduced a measure to limit the use of PayPay Points awarded on Yahoo! JAPAN Shopping to our own services. This measure stimulated usage, particularly among heavy users, contributing to increased transaction value and improved profitability. Transaction value also grew by 10% or more year over year in both the reuse and service businesses, bringing our e-commerce transaction value to JPY 4.67 trillion. It was also a year when, following ASKUL Corporation's service suspension due to unauthorized external access, we renewed our commitment to building trust in our marketplaces as safe and secure places to shop.

As generative AI becomes more widespread and a paradigm shift toward purchases being completed through AI agents takes hold, we are making the introduction of AI agents across our services a top priority. Through features such as chat-based product searches and comparisons powered by generative AI and an AI shopping assistant, we have created a series of new touchpoints between users and AI. Our goal is a world in which AI supports shopping seamlessly and naturally.

With growth in "AI-driven transaction value" as a KPI, we will fundamentally improve the customer experience and create new transaction opportunities that contribute to sustainable growth in transaction value.

In September 2026, we also completed the full rollout of the Shopping tab on LINE. By linking with LINE IDs and PayPay payments, we will provide an end-to-end purchasing experience that can be completed entirely within LINE, from product recommendations through payment. Agent i will also learn users' preferences from among more than 300 million products handled by the LY Corporation Group and deliver information on brands' new products and advance sales. We aim to create a new purchasing experience that fits seamlessly into users' daily lives, with Agent i automatically handling everything from reservations and purchases to delivery arrangements.

In the same month, we also revised Yahoo! JAPAN Shopping's merchant plans, making a major shift from an advertising model to a sales royalty model. By flexibly reviewing our business model, we will enhance corporate value over the medium to long term.

By combining AI, a powerful engine of innovation, with our vast ecosystem, we will establish a competitive advantage that is difficult for others to replicate.

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Growth Strategy: **Strategic Business**

Business Domain: Fintech (PayPay, PayPay Card, PayPay Bank, Other Financial Services), Others

PayPay Registered Users — Over **73** million (as of March 31 2026)

PayPay GMV (consolidated) — JPY **19.4** trillion (FY2025)

PayPay Bank Deposit Balance — JPY **2.26** trillion (as of March 31, 2026)

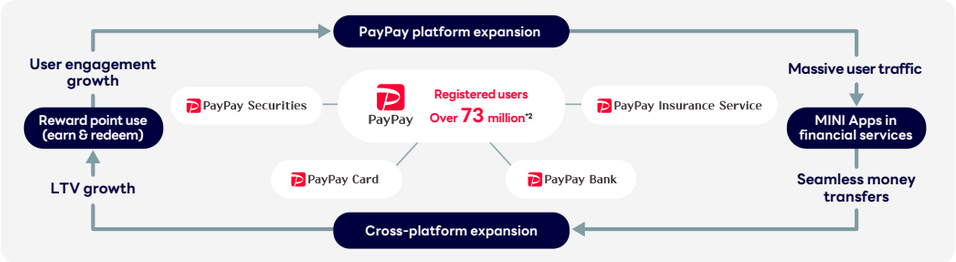
PayPay Card No. of Active Cards Issued — **16.86** million (as of March 31, 2026)



We aim to establish new revenue streams centered on fintech

Competitive advantages

Starting with PayPay, a cashless payment service that holds approximately two-thirds of the domestic QR code payment market share*1, we are building a financial ecosystem encompassing credit cards, banking, securities, and insurance.



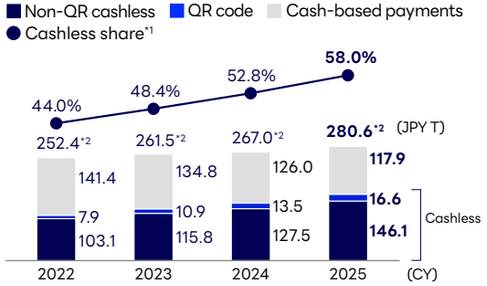
*1 The share of payment transaction volume and number of transactions was derived from PayPay's aggregation of the ratio of "PayPay" in the disclosure materials of the Payments Japan Association (Stats - Code Payment, published March 30, 2026).
*2 Number of registered users (as of March 31 2026)

Market overview

The cashless payment ratio in Japan reached 58.0% in 2025 and continues to grow steadily toward the interim government target of "65% by 2030."* However, compared with major countries, there is still room for further growth in Japan. While cash use remains high in Japan, the government has set a future target of 80% cashless penetration, underscoring significant growth potential.

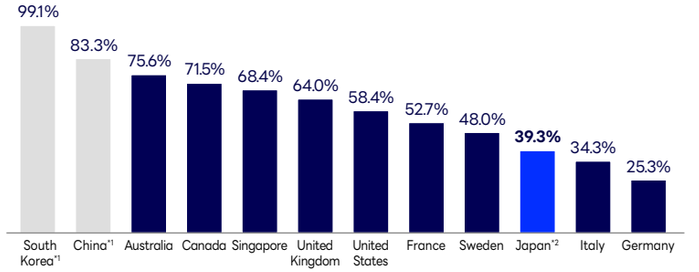
*Source: Ministry of Economy, Trade and Industry (METI), "2025 Ratio of Cashless Payment Among the Total Amount Paid by Consumers Calculated"

Cashless Payment Share and Breakdown in Japan's Consumer Spending



Source: Ministry of Economy, Trade and Industry (METI), "2025 Ratio of Cashless Payment Among the Total Amount Paid by Consumers Calculated"
*1 Ratios are rounded to one decimal place.
*2 The 2020 benchmark revision of Japan's National Accounts has been applied to figures released since December 2025. As housing rents, including imputed rent for owner-occupied housing, were revised upward retrospectively, figures for 2024 and earlier also use the second preliminary estimates for October-December 2025.

Comparison of Cashless Payment Ratios by Country (2023)



Source: World Bank, "Households and NPISHs Final consumption expenditure" (2023; April 15, 2025 version), and BIS "Payment Statistics," annual value of non-cash transactions (2023; June 1, 2025 version).
*1 Figures for South Korea and China are calculated using Euromonitor International data and are presented for reference.
*2 As of September 4, 2025, the latest figure for Japan in the World Bank's "Households and NPISHs Final consumption expenditure" was for 2022. Accordingly, Japan's ratio was calculated using the Cabinet Office's nominal "National Accounts," the domestic source underlying the World Bank data above.

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Strategic Business

Recognition of the external environment, and our business strategy

Growth opportunities and risks

Opportunities

- Increase in transaction value driven by the continued rise in cashless payments in Japan
- Expansion in the use of various financial services originating from QR code payments
- Growth in payments and financial services on the digital financial platform centered on PayPay

Risks

- Decline in QR code payment users and slower growth in financial businesses due to the growth of competitors and diversification of payment methods
- Slower growth in new businesses and existing operations due to tighter government regulations
- Loss of trust caused by financial system failures

Business strategy

- Expand diverse financial services centered on PayPay, including credit cards, banking, securities, and life insurance
- Promote business expansion in Japan and overseas through partnerships between PayPay and third-party services

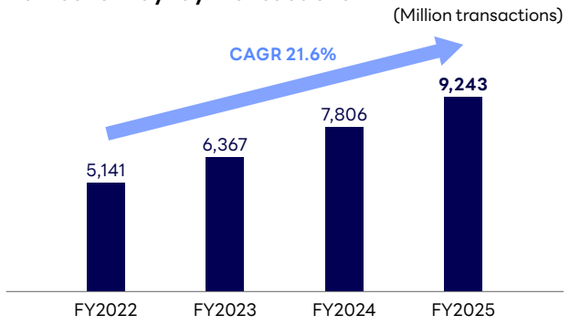
Free cash flow generation **Initiatives for sustainable growth and enhanced corporate value over the medium to long term**

Expansion of the PayPay ecosystem

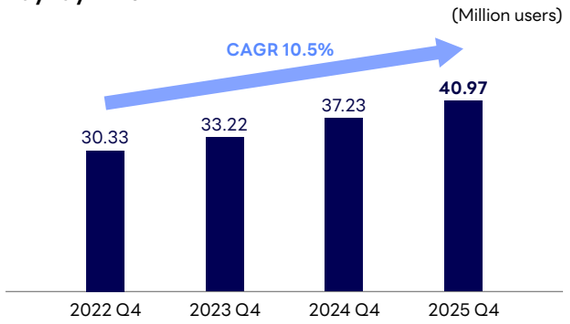
PayPay is evolving into a “digital financial platform” that comprehensively supports users’ daily lives. Building on a user base of over 73 million, PayPay has expanded into banking and securities and plans to begin offering life insurance. We are accelerating seamless cross-selling from payments to a range of financial services.

We also aim to further expand the ecosystem through integration with LY Corporation services. Through feature integration that enables transfers between PayPay users on LINE and joint e-commerce promotions using PayPay Points, we are embedding PayPay services across a wide range of everyday digital touchpoints. By combining the convergence of payments and financial services with integration across this powerful ecosystem, we will further expand the PayPay ecosystem to a scale that is difficult for competitors to replicate.

Number of PayPay Transactions



PayPay MTU



Expansion of overseas businesses

The Strategic Business also includes overseas payment and financial businesses operated under the LINE brand. Adjusted EBITDA from LINE Fintech services, including LINE Credit, expanded to approximately JPY 3 billion in the first quarter of FY2026. In Taiwan in particular, approximately 22 million people out of a population of 23 million use LINE, and financial services offered through LINE have become an integral part of daily life.

LINE Bank Taiwan has grown into Taiwan’s No. 1 internet bank, used by one in four people in their 20s to 40s, and achieved monthly profitability in December 2025. With the convenience of completing everything from account opening to loans and insurance within the LINE app, it has acquired more than 2.2 million users.

Meanwhile, LINE Pay Taiwan, used by 13.6 million people—more than half of the population—obtained a new EPI license and launched LINE Pay Money, which provides flexible financial services, while payment transaction volume continues to grow steadily.

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AI-Driven Operational Efficiency

We are promoting the use of AI, including generative AI, across the company. Rather than simply streamlining existing operations, we are rethinking business processes and people's roles with AI as a core premise to improve productivity, shorten lead times, and enhance quality.

01 Productivity improvement

Automating customer support operations

We replicate customer support representatives' expertise using generative AI and automate email responses based on the content of inquiries.

Response time

Within **24** hours ➡ Within **1** hour

Overnight unprocessed emails reduced from several hundred to approximately one-tenth of that number.

AI-enabled software development

For backend development of LINE Home, we established a development process that incorporates AI-assisted implementation and verification.

Output per person-hour

9.24x*1

Zero production incidents during approximately 10 months of measurement.

02 Lead time reduction

Using AI agents for business data analysis

We developed an AI agent that analyzes business data, such as sales and user trends, and supports organizing insights simply by asking questions in natural language.

Analysis wait time

Approximately **2** weeks ➡ Approximately **10** minutes

Number of analyses

Approximately **10** per month ➡ Several hundred per month

Streamlining privacy impact assessments (PIAs)

We introduced generative AI into the PIA application process, which assesses the potential privacy impact of services and other offerings in advance, to identify missing information and provide feedback before submission.

Average time to complete a case

23 business days ➡ **10** business days

Reduced back-and-forth between applicants and PIA staff for confirmations.

03 Quality improvement

Using AI in quality assurance (QA) operations

In quality assurance (QA) operations for services, AI supports information gathering and analysis, as well as test design. These capabilities are deployed on a common platform that incorporates QA expertise and security measures.

QA work hours

49.4% reduction*2

Number of QA deliverables generated

1.54x*2

Standardization of QA expertise and security measures.

Using AI in code reviews

For code reviews that check program changes, AI automatically collects and organizes related specifications and design information, streamlining review preparation.

Review preparation time

Approximately **6** hours saved per week*3

Review scope expanded from "code" to "business processes." AI also organizes review checkpoints, reducing omissions in reviews.

*1 Based on actual measurements over approximately 10 months compared with the baseline. Results from LINE Plus. *2 Internal measurement of QA operations by the Product QA Unit, excluding test execution.
*3 Estimated based on 30 minutes saved per case × an average of 3 cases per day × 4 days per week.

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Message from the CDO



Turning Data into a Competitive Advantage and Leading the Age of AI Agents

Profile

Joined LINE Corporation in 2022 after working at a systems integrator, a consulting firm, and a business enterprise. In the same year, he was appointed CDO (Chief Data Officer) of the LINE App/Platform Domain, leading the development and promotion of data strategy and comprehensive data governance. Following the merger into LY Corporation, he became Senior Data Director of the LINE Domain in April 2025 and was appointed CDO in April 2026.

A career built on advancing both Data utilization and governance

As a full-stack engineer at a systems integrator, I worked at the intersection of technology and business and became fascinated by data as a resource for creating value. A major turning point came at a consulting firm, where I was responsible for General Data Protection Regulation (GDPR) compliance advisory work. That experience convinced me that creating value through data and maintaining customers’ trust by protecting the data they entrust to us are two sides of the same coin, each reinforcing the other. This belief is central to my professional philosophy. Since then, I have explored how broader use of data across the company can create business value, with data governance as the foundation. As CDO, I believe my responsibility is to turn our data foundation into a source of competitive advantage for LY Corporation.

The role of the CDO at an AI tech company

In the age of AI, competitiveness depends on having high-quality data and using it appropriately, quickly, and securely. At LY Corporation, the CPO is responsible for “what to build,” the CTO for “how to build it,” and the CISO for “how to protect it.” The CDO defines “which data to use, for what purpose, and under what conditions.” My responsibility is not to optimize individual businesses, but to take a company-wide view of how data can create user value, drive business growth, and reduce risk.

To fulfill this responsibility, we integrated our data governance and AI governance organizations beginning in FY2026. With this new structure, we have evolved from managing data-related risks alone to assessing both risks and contributions to the business, including those related to AI, in an integrated manner, enabling faster and more consistent decision-making.

My mission and three priority areas

My mission is to build on our “data foundation of trust” established over the years and lead LY Corporation into a new phase of faster, smarter data utilization, focusing on three key areas.

The first is establishing company-wide data management. We will enable data from our diverse services to be used beyond individual service boundaries, securely and in ways users can understand and feel comfortable with. We will also anticipate legal and regulatory changes and adopt technologies that strengthen governance and data utilization, including privacy-enhancing technologies that add noise to prevent individuals from being identified. We are only beginning to unlock the potential of our data. The second is designing AI governance. We will combine rapid decision-making with effective controls that can keep pace with the speed of development required in the age of AI agents. By making governance a foundation for confident innovation, we aim to establish a competitive advantage in the AI agent business. The third is securing and developing data and AI talent. People who can properly evaluate AI outputs, identify risks from both data and AI perspectives, and turn data and AI into business value are essential to LY Corporation’s sustainable competitiveness. With technology evolving rapidly, continued investment in this area will translate directly into long-term returns.

A company-wide “data for all” culture and its business impact

For several years, LY Corporation has promoted “Data for all,” fostering a culture in which every employee can use data effectively. The internal adoption of generative AI has dramatically accelerated this trend.

Data analysis was once largely limited to employees

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with specialized expertise. Today, AI helps employees move seamlessly from understanding data to practical use. When introducing AI tools, we eliminate the risk of input data being reused to train external models and strictly protect our proprietary data as a corporate asset.

The growing use of data across the company is also reflected in the increasing number of initiatives directly linked to business results that have received awards in our internal DATA-AWARD program. As employee-led data utilization takes root, initiatives such as conversion improvements and operational efficiency measures can significantly affect business performance at our scale, leading to sustained contributions to earnings. Our ability to embed data-driven decisions into everyday operations and continuously translate data into business value supports our competitive advantage.

LY Corporation's unique competitive advantage in the age of AI agents

As AI agents that make decisions and take action for users become a reality, data accuracy will determine their value. Decisions that genuinely benefit users require both quality and breadth of data. LY Corporation's competitive advantage lies in the exceptional breadth and depth of its touchpoints with daily life in Japan. At the core is LINE, used every day by more than 100 million users across a wide range of everyday activities. As ID linkage progresses across LINE, Yahoo! JAPAN, and PayPay, we will be able to develop an integrated understanding of users' intent, behavior, and payment activity.

Even global technology companies would find it difficult to replicate this depth of understanding, including the context of users' communications with family and friends. This is what enables LY Corporation's AI agents to deliver distinctive value.

For example, if a typhoon disrupts public transportation, an AI agent could anticipate the impact and reorganize a user's schedule and travel route for the following day. When a user moves to a new home, AI could prepare the necessary paperwork for government procedures based on the user's family composition and even automate the submission of required applications. We aim to deliver value seamlessly in everyday life, without requiring users to consciously seek it out.

Turning trust into a barrier to entry through governance

The trust of users and society is essential to making advanced data utilization a sustainable business. At LY Corporation, we require an LY Corporation PIA (Privacy Impact Assessment) for product releases, with a specialized organization conducting rigorous human reviews. Our investment in this framework is substantial, even by global standards.

This may seem like a more time-consuming approach, but I believe the company most trusted to use data will ultimately be able to use it more broadly and for longer than others. Governance investment is often viewed as a short-term cost. Over time, however, it becomes an asset that other companies cannot easily replicate, strengthening our competitiveness and creating a barrier to entry.

We also recognize that this process can slow down development and releases. While maintaining human oversight to ensure quality, we will actively use AI in reviews to dramatically increase speed without compromising quality.

For the use of AI agents, we will also combine privacy-enhancing technologies with rigorous consent management to manage risks based on how AI agents are used while maintaining development and release speed.



Three years from now and beyond: The future I aim to realize as CDO

Over the next three years, our goal is to establish data utilization as a competitive strength for LY Corporation and monetize the AI agent business. Providing the data we hold to companies in the B2B market will also represent an important growth opportunity. Over the medium to long term, we aim to establish LY Corporation as a platform embedded in users' everyday lives, capable of anticipating and proactively resolving everyday challenges.

I believe LY Corporation's true strength lies in the speed and precision of its feedback cycle: our ability to rapidly incorporate users' voices into products. By deepening our use of AI and data, we will continue accelerating this cycle.

Data is at the heart of LY Corporation's competitiveness in the age of AI. Building on trust—our most difficult asset to replicate—we will steadily accelerate our evolution into an AI tech company powered by data.

(Interview date: June 16, 2026)

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Euivin Park

Executive Corporate Officer, CTO (Chief Technology Officer)

Accelerating the Shift to Become AI Ready
—Mastering AI Drives Compound Growth

Profile

Joined 1noon Co., Ltd., a search service provider, in 2005. Became an Executive Officer at NHN Japan in 2011, playing a central role in developing the global messenger LINE. Served as Executive Officer, LINE Corporation from April 2013 and Senior Executive Officer, CTO from April 2014. Concurrently became Managing Corporate Officer, Co-GCTO, Z Holdings Corporation in March 2021. Since October 2023, serves as Executive Corporate Officer, CTO, LY Corporation.

Building a company where AI drives management —My mission as CTO

Throughout my career, I have led numerous new businesses through technology, including the development of search services, the launch of LINE, and global expansion. As I traveled among our major business locations, I found that the greatest challenges were not system or regulatory barriers, but the speed of market change and competition with global services that had enormous financial and technological resources. These experiences convinced me that the more difficult the challenge, the less likely it is to be achieved alone. Major results emerge when a team shares clear goals and persistently takes on challenges together.

As our company evolves into an "AI tech company," my mission as CTO goes far beyond introducing AI: it is to use technology to transform how the organization operates and build a company designed around AI—one in which management can learn faster, take on challenges faster, and achieve sustainable growth. What matters in business is not avoiding failure, but taking on challenges ahead of others, learning from them, and turning those lessons into the next move. That is why my greatest focus is minimizing Time to Market.

Putting AX into practice —Becoming "AI Ready" and delivering measurable results

To minimize Time to Market, my top priority over the past year has been driving company-wide AX (AI Transformation). For a company operating massive systems with a history of approximately 30 years, the success of AX depends on making our systems, data, and people all "AI Ready"—a state in which AI can operate autonomously. No matter how advanced the AI tools we introduce, they cannot increase speed unless AI can understand the underlying specifications and designs.

We therefore revisited our processes from the planning and design stages and undertook the company-wide work of rebuilding our SSOT (Single Source of Truth). We broke large products down into components and restructured specifications written for humans into formats that AI can fully understand. Through these steady efforts, the number of design documents structured for AI increased approximately 46-fold over the past year, while the share of code generated by AI surpassed 50%. As a result, productivity per engineer approximately doubled—a dramatic improvement.

These efforts go beyond making development more efficient—they are transforming the entire product development process. On our new AI platform, approximately 44 generative AI services have already been introduced into our businesses. In customer support, 92.1% of approximately 8,000 inquiries per month are now resolved entirely through automated AI responses (see p. 42 for details). We have also fostered a culture in which employees can effectively use AI through a company-wide learning portal and the internal "Generative AI Festival."

If this transformation cuts Time to Market in half, we can take on two projects in the same period, greatly increasing opportunities for innovation. This is what I mean by "compound growth in productivity."

Technology foundations that take years to replicate —Competitive advantage in data and infrastructure

In the AI era, competitive advantage will be determined by the ability to make highly targeted recommendations based on a deep understanding of each user's circumstances and context. Our strength lies in the

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quality and continuity of data obtained through service touchpoints spanning many aspects of everyday life. By accumulating and using this data as long-term memory, we deliver highly accurate personalization that competitors find difficult to replicate.

However, vast amounts of data have no value on their own. Personalized recommendations become possible only when data dispersed across services is integrated and structured according to user context and made available when needed. We have focused on building this foundation for turning data into a usable asset (see p. 43 for details).

Another major strength is that we own and operate our own data centers and infrastructure, enabling large-scale data processing while controlling costs (see p. 47 for details). We also control cost increases by selecting the most appropriate AI model for each type of processing.

These data and infrastructure capabilities cannot be built overnight. Reaching the same level of data density and operational precision takes considerable capital and time. Competitors would need to establish comparable service touchpoints and necessary user consent frameworks. This difficult-to-replicate strength is a key source of our competitive advantage.

We also make no compromises in security and governance investment. We embrace shift-left practices, incorporating assessments from the earliest stages of development, and rigorously apply zero-trust security principles. Continually meeting these exceptionally high standards is precisely what protects our corporate value over the long term.

Roles will expand, and responsibility will grow —building an organization that keeps taking on challenges

In an era when AI handles coding, I am sometimes asked whether engineers will lose their jobs. My answer is clear: they will not. Their roles will expand, and so will their responsibilities. AI can write code, but it cannot take responsibility. Humans must ensure specifications and quality and remain accountable for final decisions and outcomes. Opportunities for people to achieve more together are growing, from balancing interests across large-scale projects to sparking ideas through casual conversations. AI further amplifies individual output, driving organizational growth.

That is why I am transforming the organization with the same intensity that we are renewing our technology foundations. Rather than being constrained by past successes or looking for reasons why something cannot be done, we must remain open-minded and keep asking, "How can we make it happen?". The quality I value most in our people is this persistence. I am convinced that a culture where people with ideas remain committed to taking on challenges will further shorten Time to Market and become a source of competitive strength that is extremely difficult to replicate.

The ultimate experience enabled by AI agents —and new revenue opportunities

Three gears are beginning to work together: increasing data density from more than 100 services, declining infrastructure and inference costs, and faster development through AX. Together, they are creating a self-reinforcing structure in which our competitive advantage becomes stronger over time.

On our proprietary foundation, we are now transforming services into agents, including Agent i. By creating the "ultimate personal agent," one that deeply understands the context of users' daily lives, we can deliver a seamless experience. For example, the moment a user thinks, "I want to take a trip," the same



platform can connect everything in real time—search, reservations, payments, and communication with travel companions through a messaging service.

We are also rolling out Agent i for Business, bringing the capabilities of these AI agents to more than 1 million business accounts (see p. 30 for details). By providing AI capabilities to businesses through LINE Official Accounts, we aim to accelerate digital transformation for companies across Japan while creating new revenue opportunities through a SaaS-like model.

As CTO, I will lead this exceptional technology foundation and our persistent engineering organization as we evolve into a tech company with one of the world's leading AI technology foundations. Under our mission, "WOW Our Users!," we will use technology to create "WOW" moments in people's everyday lives and maximize corporate value over the medium to long term.

(Interview date: July 14, 2026)

Feature 1 | Next-Generation Platform “Flava” Accelerating the Evolution into an AI Company

—Generating Tens of Billions of Yen in Financial Resources through Integration Synergies and Driving Sustainable Growth with Proprietary Technology

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Nobuhiro Tomikawa
Corporate Officer,
Service Infrastructure
CBU Lead

Setting the vision and the birth of “Flava”

As generative AI evolves, companies have entered an era in which competitiveness depends on the ability to use vast amounts of data safely and efficiently and rapidly translate it into service value. We aim to evolve into an AI company by introducing AI agents to make all of our services more convenient and by doubling company-wide operational productivity. A key platform supporting these efforts is “Flava,” a next-generation platform that combines the strengths of the cloud platforms developed independently by LINE Corporation and Yahoo Japan Corporation. This platform goes beyond infrastructure integration: it is designed to transform the cost structure and generate new financial resources for growth investments.

A cost-advantaged structure and a clear roadmap

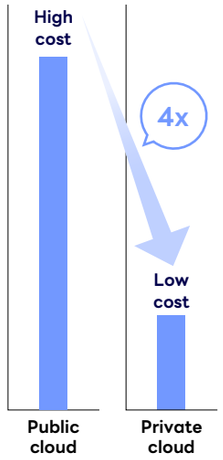
By operating proprietary infrastructure without relying on external cloud services, we have achieved an approximately fourfold cost advantage on average.

Behind this advantage is an integrated architecture and operations framework, developed through the operation of approximately 200 services, that supports more than 500,000 servers, roughly 3 Tbps of network traffic, and over 1.2 exabytes of data. This scale enables us to design, procure, and operate data centers, servers, networks, and other infrastructure as an integrated whole. Our cost competitiveness is also supported by an efficient organization of approximately 1,700 engineers who develop and operate more than 300 shared platforms of various sizes.

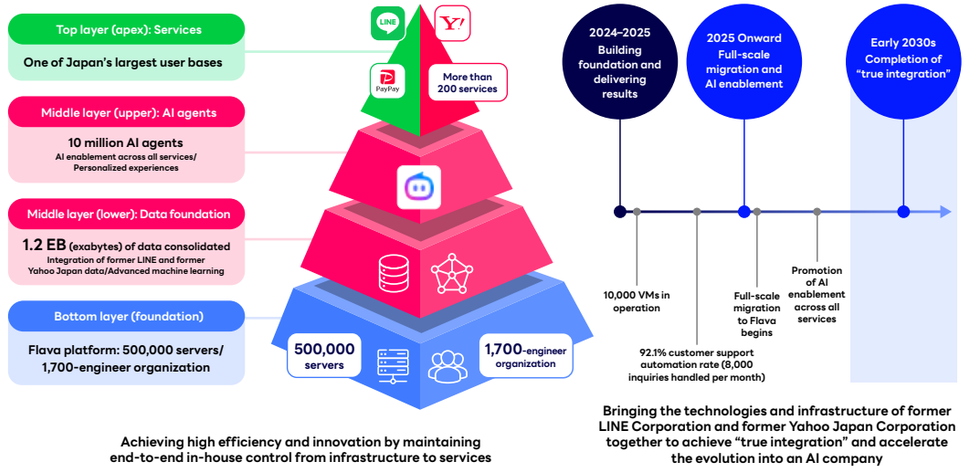
Flava is an initiative designed to further strengthen these advantages. By progressively integrating the environments previously operated separately by LINE Corporation and Yahoo Japan Corporation and consolidating overlapping data centers, servers, network equipment, and operating structures, we will improve our cost structure and development efficiency. Already, 40,000 virtual servers are running on Flava, and its use is steadily expanding toward full-scale service operations. This is an important sign of progress showing that Flava has moved beyond the concept stage and is being implemented and used as a common platform across the Group.

Through integration initiatives targeting the early 2030s, we expect these benefits to total tens of billions of yen on a cumulative basis. These benefits are not limited to a single cost-reduction measure; they are the combined effects of consolidating facilities, eliminating duplicate operations, improving migration efficiency, optimizing the use of external services, and other measures.

Significant cost advantage



Roadmap for transformation into an AI company—Integrating the next-generation platform “Flava” with AI agents



Achieving high efficiency and innovation by maintaining end-to-end in-house control from infrastructure to services

Bringing the technologies and infrastructure of former LINE Corporation and former Yahoo Japan Corporation together to achieve “true integration” and accelerate the evolution into an AI company

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The ability to build in-house and choose the optimal solution

Our strength lies not in doing everything in-house, but in our ability to design the optimal architecture. Flava efficiently supports large-scale, highly standardized workloads, while we flexibly use external cloud services and partner technologies for rapidly changing areas and highly specialized functions. Because we can develop and operate our own cloud platform, we can compare functionality, performance, cost, and security and select the optimal option. The combination of the “ability to build in-house” and the “ability to choose the optimal solution” underpins a technology strategy resilient to environmental change and contributes to competitive advantage over the medium to long term.

Responsibility as a company handling data at scale

As we operate large-scale services and handle vast amounts of data, security is a critical management priority and a prerequisite for growth. Flava provides a framework that enables granular management of the scope of access based on the importance of each service and data set. By separating general information from information requiring more careful management and applying appropriate safeguards to each, we provide an environment in which customers’ important information can be handled more securely.

We also develop security measures as a common Group-wide foundation rather than addressing them separately for each service, thereby strengthening protection while improving development efficiency. As the use of AI expands further, we will strengthen cross-functional governance from the perspectives of privacy, security, legal affairs, AI ethics, and other areas to provide safe and trusted AI services.

Turning cost reductions into company-wide value creation

The investment capacity created by Flava’s cost savings, together with improved development efficiency, is significantly increasing the speed and scale of AI adoption.

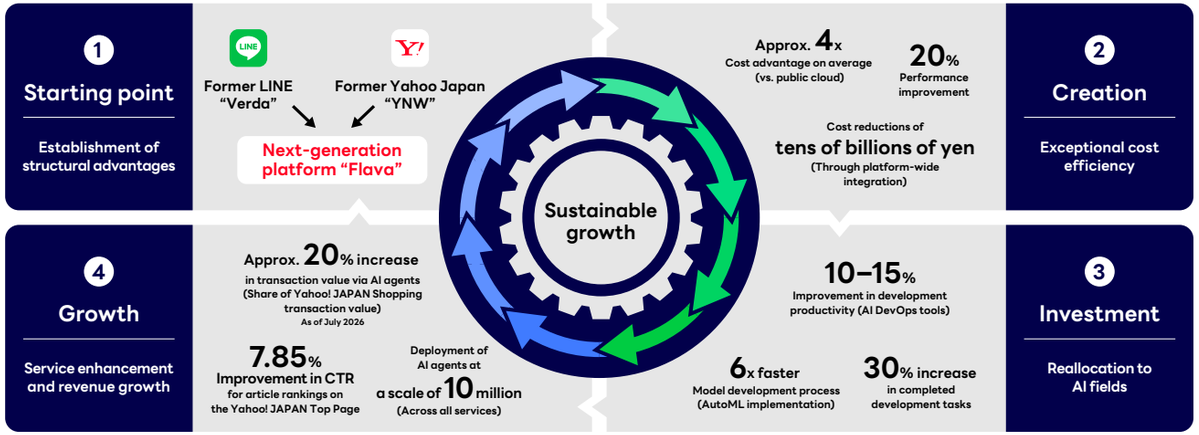
Infrastructure integration and the introduction of AutoML have increased model development speed to approximately six times the previous level, creating an environment in which a wider variety of models can be tested rapidly.

These benefits are already beginning to materialize across hundreds of use cases. For example, Yahoo! JAPAN Shopping implemented an AI-powered recommendation feature leveraging data and AI, directly contributing to increased revenue. We are also delivering tangible results, including AI automatically resolving 92.1% of approximately 8,000 monthly customer support inquiries. We will progressively roll out these capabilities across our services and deploy more than 10 million personalized, function-specific AI agents across customer touchpoints to drive company-wide revenue growth.

Cycle of sustainable growth

Flava is evolving into an “intelligent cloud” that uses AI to automate cost optimization and operational management. For example, we are working to reduce unnecessary costs and power consumption by using AI to automatically detect and eliminate unused server resources. In this way, cost savings generated by infrastructure integration create new investment capacity, which is reinvested in AI to enhance service value and expand revenue. This is a structural cycle that can be repeated continuously and will serve as a foundation for enhancing our corporate value over the medium to long term.

LY Corporation’s sustainable growth flywheel: Technology integration accelerating the evolution into an AI company



Feature 2 | Maximizing Revenue Opportunities Through a Common AI Platform

—Advancing AI Advertising Through Intent Understanding and Real-Time Optimization

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Turning AI into a common platform that generates revenue

LY Corporation is developing AI as a common platform that supports user and content understanding and the optimization of advertising, recommendations, and rankings across the Company.

In the rapidly changing internet business environment, user interests can shift in a short period of time. Which articles users respond to, which ads capture their interest, and which content is valuable at any given moment can all change quickly. The ability to capture these changes with high accuracy and quickly reflect them in service-level decision-making is critical to user experience and revenue growth.

Going forward, AI agents will increasingly assist users with discovery, comparison, purchasing, and decision-making. In this environment, it will be important to go beyond click histories and keywords to gain a deeper understanding of user intent, including what users want to accomplish, which conditions they prioritize, and what stage they are at in the consideration, comparison, and purchasing process.

To address this change, we built a common AI platform that combines CDPP (Content Data Pipeline Platform), which handles unstructured data; Vector Forge, which is responsible for semantic representations of users, content, and intent; and Yamla (Yet Another ML API), which connects those outputs to real-time business optimization. This platform will evolve beyond improving recommendations and rankings to become core infrastructure supporting our initiatives in AI advertising.

Vector Forge at the core

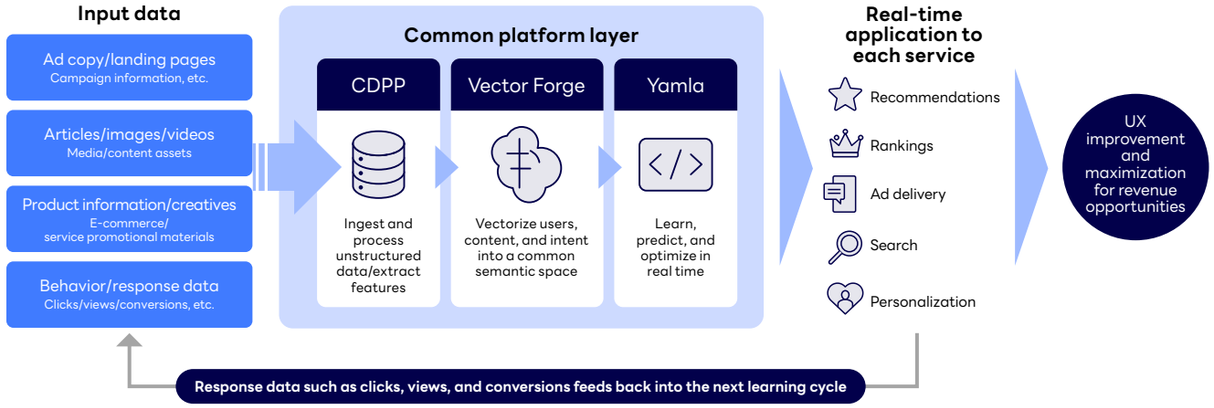
—connecting users, content, and intent in the same semantic space

At the core of this platform is Vector Forge, a multimodal foundation model tuned using data from our services and content.

Vector Forge represents signals of user interests and intent derived from user behavior, together with the semantic features of content such as articles, images, videos, and ads, in a common representation space—namely, as vectors. This enables users and content to be compared on the same basis, allowing more sophisticated matching and optimization across a wide range of tasks, including recommendations, rankings, ad delivery, search, and personalization.

Going forward, the scope of these semantic representations in AI advertising will expand further. We will analyze ad copy, landing pages, product information, creatives, past conversion queries, and other data, and organize information such as commercial intent, product attributes, key selling points, intents to exclude, and users’ stage of consideration into intermediate representations that search, recommendation, and delivery systems can readily process.

Vector Forge is supported by CDPP, which ingests unstructured data, and Yamla, which performs learning, prediction, and optimization in real time. CDPP supplies unstructured data related to ads, content, products, and other areas; Vector Forge converts the data into semantic representations; and Yamla connects those representations to our services. Together, these three components operate as a common platform that uses AI to continuously optimize our businesses.



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Source of competitive advantage
—integrated operation across large-scale services

The advantage of this initiative lies not only in its individual technologies but also in its ability to seamlessly integrate a foundation model, an unstructured data pipeline, and an online machine learning platform in the production environments of large-scale services such as LINE and Yahoo! JAPAN. In many machine learning applications, prediction may be performed online, while training and model updates often remain batch processes conducted at fixed intervals. However, in areas where user interests and the value of content change rapidly, this update lag directly affects performance.

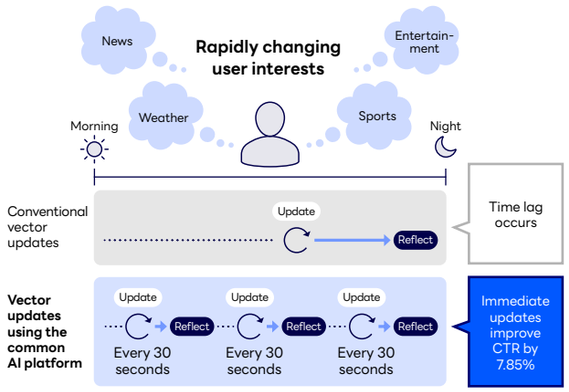
We have many years of experience operating our own services that generate massive traffic every day, as well as high-speed data processing and streaming infrastructure. This accumulated expertise enables us to capture user behavior in short cycles and apply learning results to predictions and rankings on our services.

Yamla is implemented in Rust and designed for real-time learning and delivery, quickly incorporating user responses within our services into the learning process and applying the results to the user experience without delay. Sustained operation of online machine learning at large-scale services requires not only model accuracy but also stable operations with controlled infrastructure costs and operational workloads.

Demonstrated business impact
— the difference 30 seconds makes

The value of this common AI platform is already evident in tangible results. For article rankings on the Yahoo! JAPAN Top Page, user vectors were previously updated once every half day, creating a time lag before changes in user interests could be reflected. For news, trending content, and other areas where interests change quickly, this lag was a significant issue that could affect the user experience and click-through rate. By using Vector Forge to capture semantic representations of users and content with high accuracy and connecting its output to Yamla, we enabled changes in user behavior to be reflected in rankings at much shorter intervals. Yamla can update models on prediction servers with learning results within 30 seconds of receiving training data.

As a result, the CTR for article rankings on the Yahoo! JAPAN Top Page improved by 7.85%. This demonstrates that connecting Vector Forge, which represents users and content in a common semantic space, with Yamla, which incorporates changes into the learning process in real time, enables ranking optimization that keeps pace with users’ current interests. This architecture can also be applied to advertising. By capturing changes in user interests and stages of consideration at short intervals and matching them against semantic representations of ads, products, and content, the platform can optimize for multiple objectives, including CTR, CVR, advertising revenue, and user experience. We will apply this expertise to AI advertising to improve delivery accuracy and profitability.



Next challenge
—AI advertising and Group-wide expansion

This common AI platform is already being rolled out across multiple services using the same platform and architecture.

Going forward, we will expand its applications beyond recommendations, rankings, advertising, search, and personalization to advertising experiences in the AI agent era. In AI advertising, users will not necessarily enter explicit keywords. It will be important to capture vague needs, comparison criteria, purchase intent, and constraints expressed through conversations and behavior, and naturally connect users with the most suitable products, services, and advertisers.

The Group has diverse touchpoints embedded in users’ daily lives, including search, media, and communication services. At the same time, we have established a common AI platform that integrates user understanding, content understanding, and real-time optimization. By connecting signals of interest, context, and intent obtained through these touchpoints with unstructured data related to ads, products, and content on the common AI platform, we aim to provide information that is natural and useful for users while delivering highly effective advertising for advertisers. We will continue to pursue AI advertising, ensuring that we address advertising disclosure, privacy, conversation quality, and user experience alongside technical optimization. We will further develop this platform to accelerate improvements in user experience and maximize revenue opportunities across the Group.

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Human Capital Strategy to Enhance Corporate Value

LY Corporation Group believes that maximizing the growth and performance of its people and organizations is key to enhancing human capital value. Our employees, who create diverse services and drive our businesses, are a source of our competitiveness. With human capital reinforcement and fostering corporate culture as two pillars, we are creating environments where employees can realize their potential and thrive amid change. We measure and analyze engagement as a key metric and use the findings to improve initiatives, aiming to enhance human capital value and sustainably increase corporate value.

As part of our Group-wide efforts to advance human capital initiatives, we annually survey Group companies on labor management practices and human capital. We also hold regular meetings of HR leaders from major Group companies and conferences for human capital personnel to share progress and challenges, align on the Group’s direction, and make improvements.

Human capital reinforcement (1) Facilitating growth

Employee growth drives greater product value and business growth.

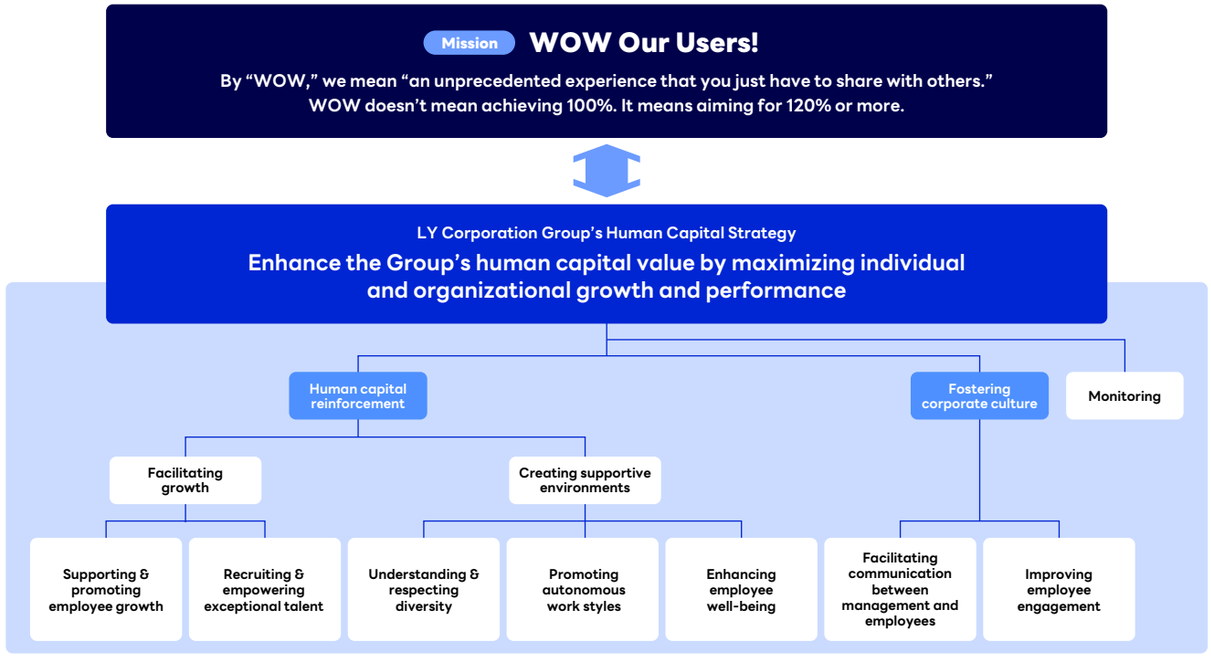
LY Corporation creates environments where employees can take on challenges, learn, and apply their skills while taking ownership of their growth amid rapid change. We provide a learning platform tailored to work needs and career aspirations, as well as company-wide and specialized training. We also empower employees to drive operational and service transformation with generative AI to achieve “AI agentization of all services” and “strengthening LINE Official Account and LINE MINI App.”

Human capital reinforcement (2) Creating supportive environments

We strive to create an environment where employees can perform at their best. At LY Corporation Group, we respect human rights and enable every employee to apply their abilities, regardless of their attributes or life stages. By combining flexible work styles with face-to-face communication, we aim to improve individual and organizational performance. We also promote diversity, equity, and inclusion (DE&I), as delivering value to diverse users requires a diverse workforce built on mutual respect. We support employees through changing life stages and circumstances and promote health and productivity management focused on physical and mental health to enhance well-being at work.

Fostering corporate culture

LY Corporation Group fosters a culture that connects the “Mission and Values,” revamped in April 2026, to employees’ daily actions and unites its diverse workforce toward a common direction. Through management messages and the Mission and Values Book, we promote understanding of the background and goals, as well as shared values and action guidelines. We also encourage two-way communication between management and employees through the “LY Corporation All-Hands Meeting.” Recognition programs and our evaluation system further deepen understanding of the Values and encourage employees to put them into practice in their daily work.



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AI Human Capital Strategy: A Key Driver for Accelerating the Business Strategy

At LY Corporation, “AI agentization of all services” and “strengthening LINE Official Account and LINE MINI App” are key priorities in our business strategy. We develop talent to drive business and organizational transformation through AI and strengthen organizational capabilities. Since July 2025, we have made generative AI use standard practice, building the AI skills of all employees through mandatory e-learning and programs such as Generative AI Boot Camp. In February 2026, Generative AI Festival offered company-wide training by proficiency level, with 16,000 participants.

We aim to move beyond individual AI use to redesigning AI-based workflows, deploying them across organizations, and delivering results. We develop leaders through AX (AI Transformation) training for executives and domain leads and training for organizational leaders on delegating tasks to AI, evaluating and improving outputs, process redesign, and organizational management.



Business strategy

AI agentization of all services + strengthening LINE Official Account and LINE MINI App

AI human capital strategy

Building a talent base to drive AI-powered organizational transformation

Mandate on the use of generative AI

Began implementing a company-wide rule mandating the use of generative AI in business operations in July 2025

Rollout of training programs

Provided structured training in foundational AI literacy, internal rules, practical AI applications, generative AI governance, etc.

Development of AI-native talent

Developing talent capable of redesigning and transforming entire workflows with AI at their core

Key initiatives for promoting generative AI use Visit our website for more details

Acquisition of basic skills	Mandatory e-learning for all employees	Generative AI Boot Camp	Generative AI Festival	AI Evolution Program	AI Agent Promotion Program	New Graduate AI Training Dev Challenge

Human capital investment → **Development of talent that drives organizational transformation and delivers results** → **Higher service innovation and productivity** → **FCF growth × lower WACC** → **Corporate value enhancement**

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Maximizing Our Ability to Create Services in the AI Era

Becoming an AI-native organization

Our ability to create innovative services and products is a source of our Group’s competitiveness. To strengthen this capability in the AI era, we are enhancing AI proficiency across our workforce and optimizing our talent portfolio in line with our business strategy.

Clarifying behavioral guidelines and embedding our values

We maximize service creation by clarifying behavioral guidelines, encouraging their practice, and embedding our values. Employee-management dialogue shares business updates, clarifies expected roles, and aligns the organization.

Promoting optimal talent allocation to priority areas

We drive business and service transformation by enabling employees to apply their capabilities in priority areas through initiatives such as the year-round LY Corporation Job Challenge, which lets employees put themselves forward for internal and Group company roles. We also selectively recruit highly specialized talent.

Developing AI talent and next-generation leaders to drive transformation

We develop talent across the company to drive business and service transformation with AI. Through programs such as Breakthrough Leaders Program and Startup Program for New Division Leads, we develop management talent and empower next-generation leaders to drive business and organizational transformation.

Encouraging challenges through performance-based evaluation and remuneration

We update our evaluation and remuneration systems so employees supporting service and product creation and growth can continuously deliver results. We assess results through individual performance, organizational contribution, grade, and multifaceted evaluations, linking them to remuneration to encourage new challenges.

Targets, performance, and initiatives for our human capital strategy

To maximize human capital value, we set metrics and targets for the two pillars of LY Corporation Group’s human capital strategy: “human capital reinforcement” and “fostering corporate culture,” and monitor progress using our engagement score. The score measures employees’ willingness to contribute voluntarily and take ownership of their work. Survey results help us assess performance and identify barriers to performance, and we use these insights for employee self-management, organizational management by managers, and improvements to our initiatives to enhance their overall effectiveness. We also track the percentage of women in managerial positions as a diversity metric, aiming to bring it in line with the gender composition of our workforce by FY2030.

Area	Target	FY2024	FY2025	Current status and initiatives
Facilitating growth	Maintain or improve the previous year’s level	Maintained*	Neither maintained nor improved*	**Current status** The Group’s engagement score did not improve mainly because fluctuations in LY Corporation’s score amid a series of changes based on its business strategy affected the Group’s overall results. **Initiatives** LY Corporation will continue to embed its behavioral guidelines, while fostering employee growth and creating a supportive work environment. Across the Group, we will share challenges and best practices through human capital surveys and HR conferences to promote employee growth.
Creating supportive environments	Maintain or improve the previous year’s level	Neither maintained nor improved*	Neither maintained nor improved*	
Fostering corporate culture	Maintain or improve the previous year’s level	Neither maintained nor improved*	Neither maintained nor improved*	

* As the scope was changed from the Company on a standalone basis to the Group beginning in FY2025, the FY2025 results are not directly comparable with the FY2024 results.

Ratio of women in managerial positions*1

Target	FY2024 results	FY2025 results	Current status and initiatives
Aim to achieve the same level as the gender composition of entire employees by FY2030	19%	19%*2	**Current status** There is a gap compared with the 32% representation of women among employees. **Initiatives** We updated our general employer action plan under the Act on the Promotion of Women’s Active Engagement in Professional Life and, in addition to our target for women in managerial positions, set a target to align the gender ratio at Grade 4, the entry point to senior leadership, with that of our overall workforce by FY2030. We promote women’s empowerment through a multifaceted approach and continue to build a leadership pipeline through initiatives such as raising awareness among managers and managerial candidates, reducing unconscious bias, and providing mentoring and coaching.

*1 Figure as of March 31 of each fiscal year for LY Corporation (standalone). Managers refer to Division Leads, Unit Leads, SBU/CBU Leads, and Domain Leads.
*2 As certain calculation definitions were revised beginning in FY2025, the FY2025 results are not directly comparable with the FY2024 results.

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Masahito Seno

Executive Corporate Officer, Governance Domain Lead

"Guardrails," Not "Brakes": AI Governance for Taking on Challenges and Building Trust

Profile

Seno graduated from Keio University and Osaka University Law School and joined Mori Hamada & Matsumoto in 2009, handling intellectual property, litigation, and corporate law. He joined Yahoo Japan Corporation in 2012, where he worked on corporate strategy and M&A before leading social contribution services and overseeing collaboration with government agencies. From 2020, he served as Corporate Officer heading the Legal Management Group before he was appointed Executive Corporate Officer, Governance Domain Lead in April 2026.

Serving as "guardrails" against diverse risks to increase the speed and certainty of strategy execution

Since the emergence of generative AI, the way society works, how we work and even how we think have begun to change fundamentally. As the full-fledged AI era approaches, tech companies worldwide, including LY Corporation, find themselves on a single path with no turning back and no standing still. At times, it feels as though the ground is collapsing behind us. Yet I also sense a future in which the speed and scale of such change simply become part of everyday life.

What our AI governance needs to provide is not a "brake" that slows strategy execution, but "guardrails" that enable the business to keep moving forward safely and at maximum speed. Through our new AI agent brand, "Agent i," we aim to usher in an era in which anyone can use AI naturally in daily life. The Governance Domain serves as guardrails against AI-related risks, guiding the business safely while accelerating the execution of our AI agent strategy.

I began my career as an attorney and joined the former Yahoo Japan Corporation in 2012. After working in areas including social contribution initiatives and public policy, I now oversee legal affairs, public affairs, risk management, sustainability, and other areas. Although my responsibilities have expanded, the principle underlying my work remains unchanged. It comes from a phrase that Manabu Miyasaka, then president of Yahoo Japan and now Vice Governor of Tokyo, often shared with employees: "Leave every place more beautiful than you found it." To me, it means leaving every organization and role better for whoever comes next. It continues to shape how I approach my work.

Advancing agile governance in response to environmental change and evolving risks

Generative AI will undoubtedly become deeply embedded in society. Yet only around 16% of people in Japan currently use AI regularly. "Agent i" must therefore be a service that can be used with confidence not only by early adopters, but also by the remaining 84%, including people encountering AI for the first time. To create services that deliver a satisfying experience for all users and accelerate the cycle of continuous improvement, we need AI governance that goes beyond risk management.

The AI environment remains highly uncertain and fast-changing, making agile AI governance essential. We must continually reassess our goals, rules, and mechanisms as we analyze the changes in the environment and risks, balancing innovation with safety and trust.

Our AI governance has two main pillars. The first is responding quickly and appropriately to domestic and international laws, regulations and guidelines, including the Hiroshima AI Process, OECD AI Principles, and EU AI Act. The second is reassessing acceptable-risk boundaries and updating our own guidelines based on the characteristics of our services, users' needs, and AI literacy.

Rather than imposing uniform rules from the top down, we work alongside service teams to determine acceptable-risk boundaries flexibly for each case. We also frequently update the guidelines applicable to all services, closely monitoring regulatory developments and court decisions in Japan and overseas.

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Addressing risks from multiple perspectives and at multiple levels through a hybrid governance structure

The largest feature of our AI governance is its hybrid structure, combining our existing corporate governance divisions with a specialized AI governance organization. Many AI-related issues can be addressed using expertise already accumulated in legal affairs, privacy, security, and data governance. Our legal division has more than 70 attorneys who deeply understand our businesses and services and provide appropriate advice. On the other hand, AI creates unique challenges that existing rules and experience alone cannot address, requiring agile responses to technological and social change. Our AI ethics governance division consists of experts versed not only in legal affairs and governance but also in the AI technologies needed to drive business growth.

Within our governance framework, this division functions as part of the second line, supporting frontline business operations with its expertise in AI ethics. At the same time, it also plays a role between the first line—the business divisions—and the second line—the existing governance divisions—by providing the latter with expertise on AI technologies and AI-specific risks. Close collaboration between these governance divisions enables us to address AI-related risks from multiple perspectives and at multiple levels. This is what makes us unique.

Beginning in 2026, we designated AI governance risk as an independent risk category subject to regular Board reporting. In addition to establishing the Basic Policy on AI Ethics (2022) and Basic Regulations on AI Governance (2025), we focus on systematically developing policies and regulations that provide the foundation for agile governance. We have also established a framework that allows permanent and contract employees to receive governance training. (Training completion rate as of May 2026: 96%)

Making safety and trust a source of value and contributing to a better AI society

The "safety and trust" pursued through AI governance are not business constraints, but the very value we provide. For example, within LY Corporation's ecosystem, which connects approximately 100 million users with several million companies and stores, we seek to maximize user convenience through "Agent i" while always keeping in mind the human-in-the-loop principle that users, companies, and stores themselves must ultimately make their own important decisions. We are also working with our business divisions on initiatives such as guidance on AI use by minors and the supervision of educational materials for children.

Collaboration with stakeholders across society is equally essential. Alongside information sharing with AI vendors and discussions with the AI Governance Association and the SoftBank Group, we actively incorporate external expertise through our Expert Panel on AI Ethics. We launched this panel in 2021, before ChatGPT was released in November 2022, and its discussions played a leading role in the formulation of our Basic Policy on AI Ethics the following year. At the expert panel meeting held in September 2026, we discussed risks associated with increasingly autonomous AI agents, as well as the protection of minors, privacy, and security. In particular, as AI agents become increasingly autonomous, we continue to explore updates to our internal rules and governance to keep pace with these changes, drawing on expert knowledge to appropriately manage risks specific to AI agents.

LY Corporation began exploring the potential of AI more than a decade before generative AI gained



widespread attention, utilizing machine learning in fields such as advertising technology, and has continued these efforts ever since. The knowledge and technology accumulated through these efforts now underpin our response to generative AI. When new generative AI capabilities emerge, we can quickly assess their effective uses and risks, revise operating rules, and rapidly implement systems with necessary risk mitigation measures.

It is precisely because these "guardrails" are in place that we can execute our AI agent strategy "10x Faster" while keeping risks under control. By creating the No. 1 AI agent that anyone can use with confidence, we aim to contribute to a society where AI and people coexist in a better way, while ensuring sustainable business growth and enhancing corporate value over the medium to long term.

(Written on September 7, 2026)

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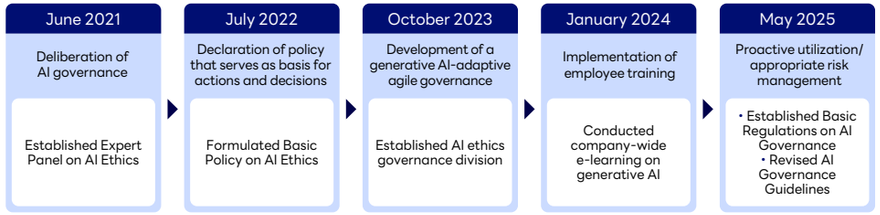
AI Ethics and Governance

Visit our website for more details

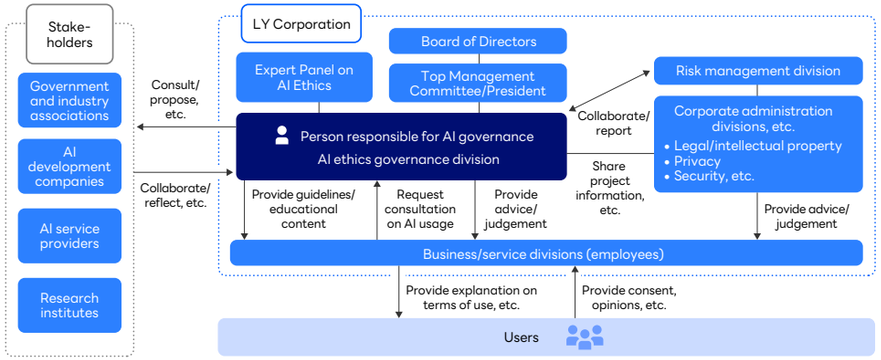
AI governance policy

Since 2021, LY Corporation has enhanced its AI governance framework to continue providing safe and reliable services. Key initiatives include establishing the Expert Panel on AI Ethics with external experts, formulating the Basic Policy on AI Ethics by resolution of the Board, and appointing a person responsible for AI governance. AI governance is also designated as a risk category in company-wide risk management and managed as a key issue under Board oversight.



Governance framework

The AI ethics governance division, comprising experts in AI technology and governance, works with the corporate administration divisions on AI governance. We also incorporate expert input through the Expert Panel on AI Ethics, and consult, propose, and collaborate with external stakeholders.

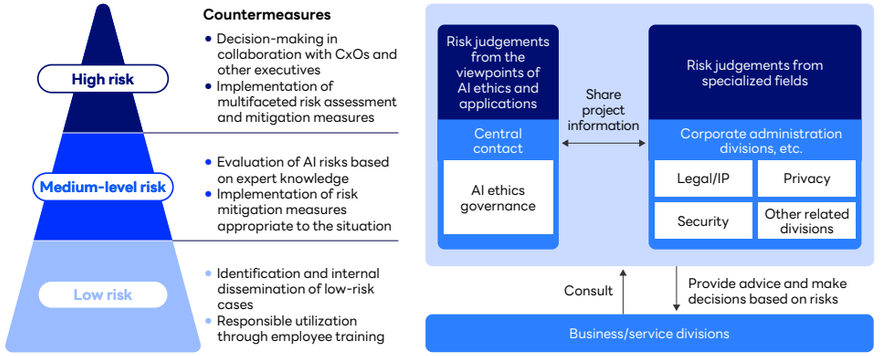


Establishing rules

Based on the Basic Policy on AI Ethics, we develop governance frameworks and guidelines referring to external standards such as the OECD AI Principles, the EU AI Act, and Japan's AI Guidelines for Business. These guidelines are updated flexibly in response to social and technological developments.

Risk assessment of AI utilization

We have integrated generative AI consultations into our product release process to ensure comprehensive review. Under a risk-based approach, high-risk cases with significant potential impacts on areas such as privacy are decided in coordination with CxOs (e.g., CDO, CISO), and cross-functional committees. Specialized divisions covering legal, intellectual property, privacy, and security assess risks from multiple perspectives and provide feedback to development teams.



Employee education

We require all permanent and contract employees to complete training designed to raise awareness of the generative AI risks and encourage decisions and actions that prevent these risks from materializing. This training includes e-learning and tests, covering the safe use of generative AI through a risk-based approach. The content is regularly updated to reflect social and technological developments, and the training is conducted approximately every six months. (Training completion rate as of May 2026: 96%)

Addressing risks in anticipation of the AI agent era

As AI agents become more autonomous in the future, we believe users need to build the right relationship with AI under the Human-Centric Principle. Accordingly, we are updating our AI governance for the AI agent era, including policies on human involvement in critical actions such as payments and internal rules such as AI Governance Guidelines.

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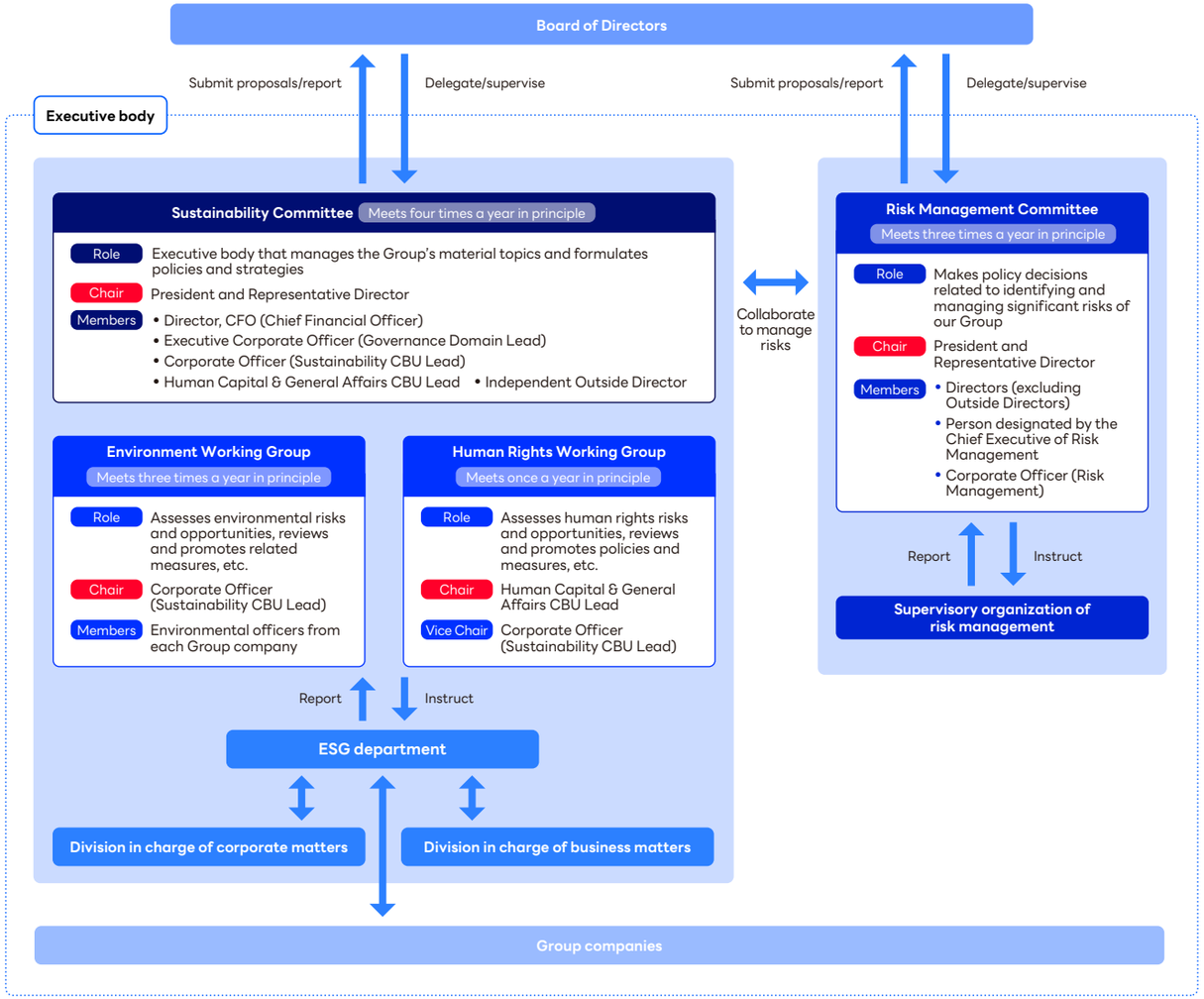
Promoting Sustainability Across the LY Corporation Group

Chaired by the President and Representative Director, the Sustainability Committee is established as the executive body for Group-wide sustainability initiatives, enabling the Board to take responsibility for overseeing material topics and ensuring their proper assessment and management. In coordination with the Risk Management Committee, the Committee submits matters to and reports to the Board on the identification of material topics, response status, and progress against metrics and targets approximately three times a year, allowing effective Board oversight.



Directors' skills

Visit our website for more details

To appropriately oversee strategies addressing material topics, the Board maintains expertise and experience in environmental, social, and other sustainability issues as a defined sustainability skill.

This skill is a requirement for understanding sustainability-related changes in the external environment and risks and opportunities, including climate change and human rights. Drawing on this and other diverse expertise, the Board deliberates and decides on key matters based on information from the Sustainability Committee and other bodies.

Incorporating sustainability evaluation into executive remuneration

Visit our website for more details

The Board regularly monitors progress against targets. To enhance its effectiveness, a sustainability evaluation with a ±5% adjustment is incorporated into executive cash bonuses.

The evaluation comprehensively considers performance against material topic metrics, progress toward targets, quality of initiatives, and social impact in light of the Group's mission and medium- to long-term corporate value enhancement. The ±5% evaluation is determined by the Nominating and Remuneration Committee, a majority of whose members are independent outside directors.

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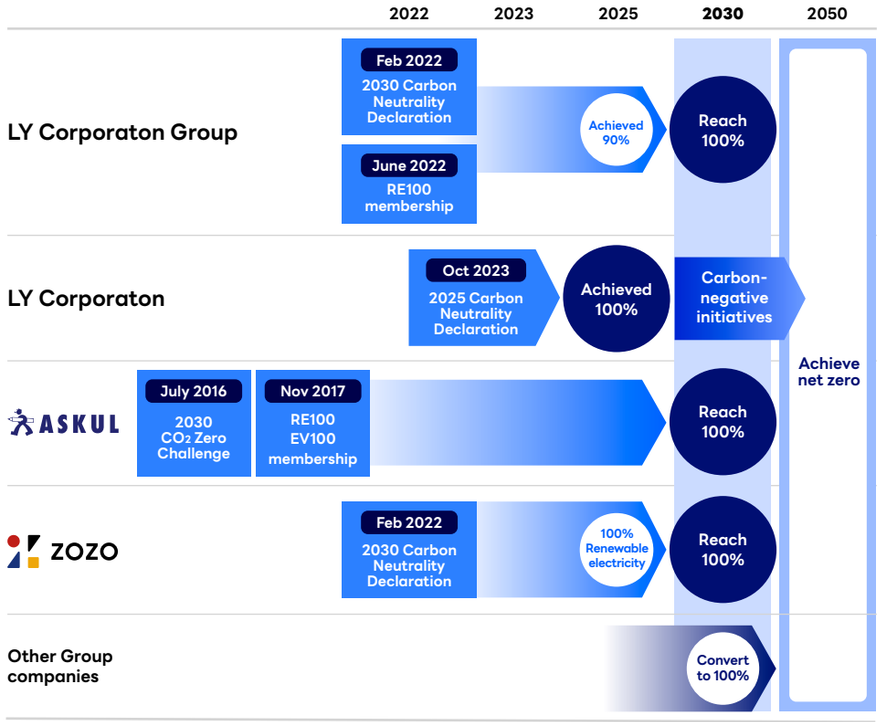
Climate Change and Natural Capital

The spread of generative AI is increasing data processing volumes across society, driving electricity and water demand at data centers, increasing GHG emissions, and posing a growing societal challenge. LY Corporation Group views climate change and natural capital risks as material management issues and aims to achieve both a sustainable society and corporate growth by reducing environmental impacts and ensuring business continuity.

Roadmap to carbon neutrality

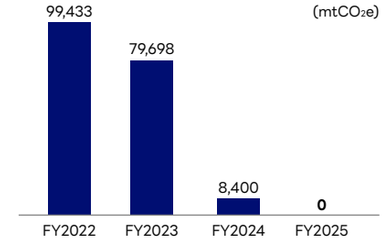
Visit our website for more details

Anticipating surging data processing volumes and electricity demand from generative AI, our Group has set a roadmap with short and medium- to long-term carbon neutrality targets to balance our growth with reduced environmental impact. Since joining RE100 in June 2022, we have advanced decarbonization Group-wide.



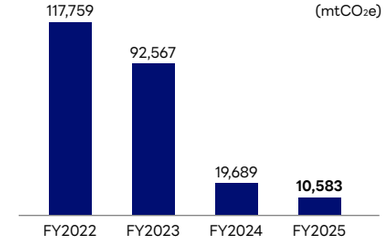
2025 Carbon Neutrality Declaration (LY Corporation standalone) — Achieved

In FY2025, LY Corporation achieved net-zero GHG emissions for Scope 1 and 2 from its standalone business through initiatives such as achieving 100% use of renewable energy-derived electricity at all LY Corporation sites and utilizing J-Credits that contribute to regional forest conservation. We will continue our efforts to maintain this level every year.



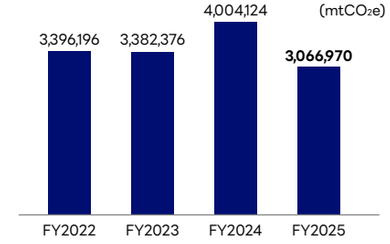
Short-term target: 2030 Carbon Neutrality Declaration

The scope of net-zero emissions will be expanded to the entire LY Corporation Group. Through continued energy-efficiency investments in data centers and direct renewable energy procurement, including corporate PPAs with additionality, the Group aims to achieve net-zero Scope 1 and 2 emissions by FY2030.



Medium- to long-term target: Net Zero by 2050

By FY2050, the Group aims to achieve net-zero Scope 1, 2, and 3 emissions, including indirect emissions from business partners. To build a sustainable value chain, we will work with our parent company SoftBank Corp., whose 1.5°C target is certified by SBTi, an international climate change initiative.



Note: Scope 3 Category 9 was disclosed as a voluntary disclosure item until FY2024, but has been excluded from FY2025.

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Governance and risk management related to climate change

Visit our website for more details

The Board of Directors oversees sustainability issues, including climate change. The Environment Working Group under the Sustainability Committee, chaired by the President and Representative Director, works with the Risk Management Committee responsible for ERM*1 to comprehensively assess and manage Group-wide risks and opportunities and regularly report or submit matters to the Board.

In addition, to ensure directors' commitment to sustainability, sustainability evaluation (including climate-related issues) is incorporated within a ±5% range in determining their cash bonuses.

*1 Enterprise Risk Management

Identification of risks and opportunities and response strategies

Visit our website for more details

To assess long-term climate impacts, we conduct TCFD-based business resilience analysis using IEA and IPCC scenarios. We examine how transition and physical risks materialize over each time horizon under 1.5°C aligned, 2°C equivalent, and above 4°C scenarios, recognizing inadequate responses as a material management risk that could undermine public trust or disrupt operations.

As our Group's diverse internet services consume significant electricity at data centers, rising GHG emissions from growing data processing pose a key trade-off for business growth. We implement the following strategies to manage the medium- to long-term financial impact of identified risks and turn opportunities into growth.

Classification	Details of major risks and opportunities	Time horizons*3	Response strategies
Transition risks	Increased costs due to carbon taxes and emissions trading, along with increased demand for electricity and energy	Short to medium term	• Build a procurement portfolio by diversifying and stabilizing procurement methods, combining environmental value certificates with long-term direct renewable energy procurement through corporate PPAs*2 to prepare for future electricity price fluctuations • Improve data center efficiency by introducing energy-efficient cooling systems
	Revenue decrease resulting from changes in customer behavior	Short to medium term	• Diversify market risks associated with environmental changes by developing a broad range of businesses and enhance resilience • Continue disclosures in line with international frameworks such as TCFD and maintain/disclose appropriate external assessments, including CDP
Physical risks	Impacts resulting from the increasing severity of extreme weather events	Short to medium term	• Increase system redundancy and establish multiple, geographically dispersed data center locations in Japan and overseas
	Medium- to long-term sea level rise and changes in climate patterns	Medium to long term	• Relocate offices to address sea level rise caused by climate change and ensure employee safety
Opportunities	Advances in technological innovation and environmental initiatives	Long term	• Improve the efficiency of water-based data center cooling systems and promote sustainable forest management for 10 years through water replenishment agreements with forest associations in relevant watersheds
	Provision of services that respond to changes in lifestyles and behavior	Short to medium term	• Achieve business growth while contributing to a circular economy through reuse businesses such as Yahoo! JAPAN Auction and Yahoo! JAPAN Flea Market • Expand climate adaptation services, including support for social issues through the sustainability-focused media platform "sustomo" and Yahoo! JAPAN Internet Fund Raising, as well as heatstroke insurance offered by PayPay Insurance

*2 PPA: Power Purchase Agreement
*3 Definition of climate-related time horizons: Short term: by FY2030 (GHG-related investment plan, carbon neutrality goal); Medium term: by FY2035 (Japanese government NDC goal); Long term: by FY2050 (Net-zero goal)

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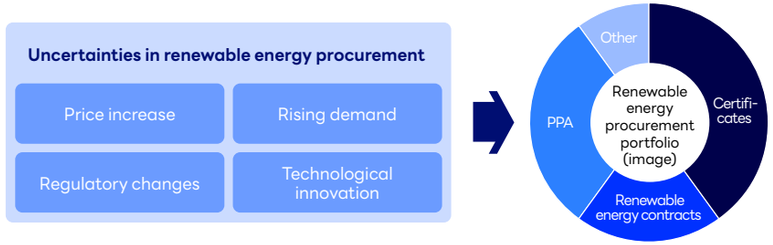
Renewable energy procurement portfolio

Visit our website for more details

We are improving energy efficiency and expanding renewable energy use to prepare for rising energy prices driven by geopolitical risks and growing electricity demand from generative AI. To mitigate medium- to long-term renewable energy price and procurement risks, we are building a diversified and stable procurement portfolio by adding renewable energy with additionality through PPAs to the existing procurement methods.



Maniwa Solar Project begins operations as one of Japan's largest corporate PPAs

Visit our website for more details

In August 2026, Maniwa Solar Project, one of Japan's largest VPPAs, began operations. This is our first PPA, and it balances regional harmony with environmental considerations by utilizing a former golf course, eliminating the need for new land development, and prioritizing local businesses. We will procure 85 GWh of environmental value annually for 20 years, reducing GHG emissions by around 740,000 tons. We will continue strengthening our decarbonization portfolio with additionality.



Resource circulation initiatives

The LY Corporation Group promotes resource efficiency and waste reduction through reuse businesses such as Yahoo! JAPAN Auction, Yahoo! JAPAN Flea Market, and ZOZOUSED, as well as ASKUL's Go Ethical and ASKUL Resource Circulation Platform. These efforts reduce environmental impact while creating new business opportunities, enhancing corporate reputation, and securing competitive advantages.

Natural capital conservation

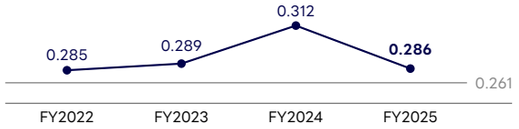
Visit our website for more details

As generative AI drives rapid growth in data processing, demand for water to cool data center servers is expected to rise. Given the nature of our business, we rely on water for stable data center operations, making water depletion and stress direct business continuity risks. We recognize inadequate water conservation and waste reduction, which could lead to loss of public trust, reduced competitiveness, and business disruption, as a material medium- to long-term risk. We will continue proactive disclosure in line with the TNFD framework.

Addressing water risks

We designate sites accounting for approximately 10% (50,000 m^3) or more of total water withdrawal as key sites. These sites manage water risks through measures such as upgrades to cooling equipment that does not require large amounts of water and revised water replacement practices. At Kitakyushu Data Center, improved cooling efficiency in terms of water use has significantly reduced water withdrawal. To address growing water demand as our business expands, we aim to reduce water withdrawal per revenue by 10% from FY2022 levels by FY2030. Progress is continuously monitored using performance data verified by a third party to ensure objectivity and reliability.

Water withdrawal
(per JPY1 million in revenue)
Reduce by 10% from FY2022 levels by FY2030



Signing of Water Replenishment Agreements for data center watersheds

To improve the health of the water cycle with local communities, LY Corporation signed its first water replenishment agreements with forest associations in Fukushima and Fukuoka prefectures. We will support 10 years of planned forest management in the watersheds of our Shirakawa and Kitakyushu Data Centers. By the 10th year, we aim to replenish more water in the watersheds than the two data centers use annually, reducing water risks and enhancing business sustainability.



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Social Impact

We define "social impact" as positive change in society driven by technology and platforms. By quantitatively measuring and visualizing the value created through our business and CSR activities and communicating it transparently to society, we will reinvest the results in further value creation, supporting sustainable growth and a better society.

Approach to impact measurement and assessment

LY Corporation bases its impact measurement and assessment on the following three core principles, and discloses information accordingly.

1. Developing indicators to support business growth

We seek to go beyond one-time measurement and assessment of identified impacts. We establish them as indicators to support business growth, continuously tracking and improving them to make better business decisions.

2. Alignment with material topics

When selecting assessment targets, we focus on their relevance to our material topics. By conducting measurements and assessments that align with our strategies and social responsibilities, we demonstrate the impacts as concrete outcomes.

3. Ensuring trustworthy measurement and assessment

We base our measurements and assessments on objective data, not subjective views or impressions, and work with external experts to ensure reliability. We also openly disclose the limitations of our measurements and assessments and continue to communicate information with integrity and transparency.

Case study 1 | Follow-up assessment of municipalities' consultation services using LINE

Visit our website for more details

The social value of 19 consultation services using LINE run by national and local governments in FY2024 was expressed in monetary terms. SROI rose from 1.89 in the previous assessment to 2.04, indicating high efficiency and effectiveness.

Young carer services made up about 20%, while "friendships" and "mental and physical health" were top consultation topics. The familiar LINE platform serves as an emotional safety net for young people reluctant to seek help. The assessment was also significant for quantifying a public-private value co-creation model using private-sector expertise.

SROI (total benefits/total cost)

1.89x ▸ 2.04x
(FY2024)

Approx. 2x value generated compared to costs

Case study 2 | Calculating the platform value of Yahoo! JAPAN Internet Fund Raising during normal times

Visit our website for more details (Japanese only)

Analysis of Yahoo! JAPAN Internet Fund Raising found that trust was positively associated with donation amounts, while diversity of small donations and payment methods may facilitate participation, indicating its viability as a sustainable donation platform.

Its platform value—the estimated amount of new donations generated as a result of the service—was JPY194 million for everyday social causes such as child support and animal welfare. The findings suggest that users who donate regularly during normal times may support the donation activity during emergencies.

Calculation of platform value

Approx. JPY194 million
(normal times)

Estimated donations that would not have been made without Yahoo! JAPAN Internet Fund Raising

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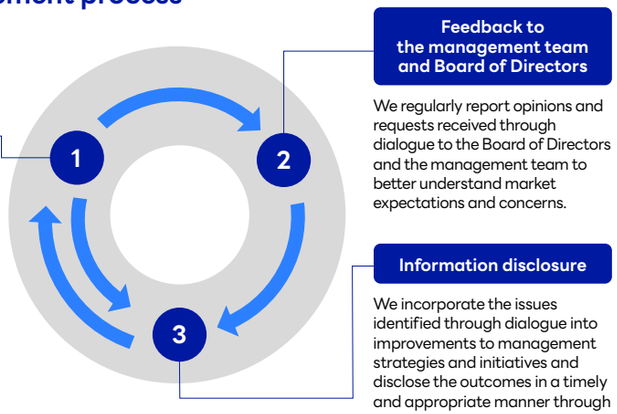
Dialogue with Investors

Constructive dialogue with our stakeholders is essential to the Company's sustainable growth.
We appropriately share the feedback we receive with the management team and the Board of Directors, using it to enhance corporate value over the medium to long term and achieve sustainable growth.

Stakeholder engagement process



Key themes and matters of interest to shareholders

- Background to the decline in search advertising revenue and the outlook
- Progress toward AI agent-based services and usage of AI services
- Concerns about higher costs associated with increased use of generative AI
- Timely and steady execution of business strategies and the development and operation of new businesses and services
- Progress on revamping LINE
- Impact of the incident at ASKUL on financial results
- Potential for and approach to creating synergies with PayPay
- Review of capital relationships with consolidated subsidiaries
- Internal assessment and views on the share price
- Initiatives and approach to improving ROE

Feedback to the Board of Directors

• Market reaction following earnings announcements
We report share price movements following earnings announcements and analysis of the factors behind them, the status of meetings with investors and sell-side analysts, key feedback, and proposed responses.

• Status of initiatives for management that takes the cost of capital and share price into account
Alongside earnings briefing materials, we report quarterly changes in adjusted EPS and net income, trends in the cost of equity, and other relevant information.

Feedback to the management team

• Initial feedback following earnings announcements
Following earnings announcements, we ask sell-side analysts for their impressions and views and report the initial feedback.

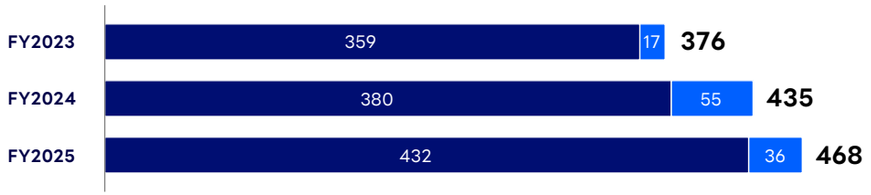
• Sharing analyst reports
We collect analyst reports on the Company and its competitors and share them with summaries.

• Regular meetings with the CEO and CFO
We hold regular meetings on IR activities weekly with the CFO and monthly with the CEO to discuss proposed responses to investor feedback.

Number of events held

	FY2023	FY2024	FY2025
Small meetings	8	4	5
Overseas roadshows held	0	3	2
Securities company-sponsored conferences	4	11	15

Annual number of dialogues



Feedback from shareholders and investors and our responses

Key feedback	Response
Given the accelerating decline in search advertising revenue, how will the Company grow advertising revenue going forward?	**Disclosed the portfolio transformation policy for the Media Business**
There is insufficient information on the medium-term growth outlook for account advertising and LINE MINI App.	**Disclosed the market size, revenue and KPI targets for account advertising and LINE MINI App**
We would like the Company to indicate its progress toward AI agent-based services and its approach to monetization.	**Held a briefing on Agent i and also explained the initiative at the earnings announcement as part of the FY2026 management policy**
We would like the Company to present initiatives and targets for improving ROE.	**Disclosed a target of achieving an ROE of at least 8% in FY2030 and updated the shareholder return policy**
We would like the Company to enhance shareholder returns through dividends as well as share repurchases.	**Shifted the dividend policy to dividends in line with profit growth**

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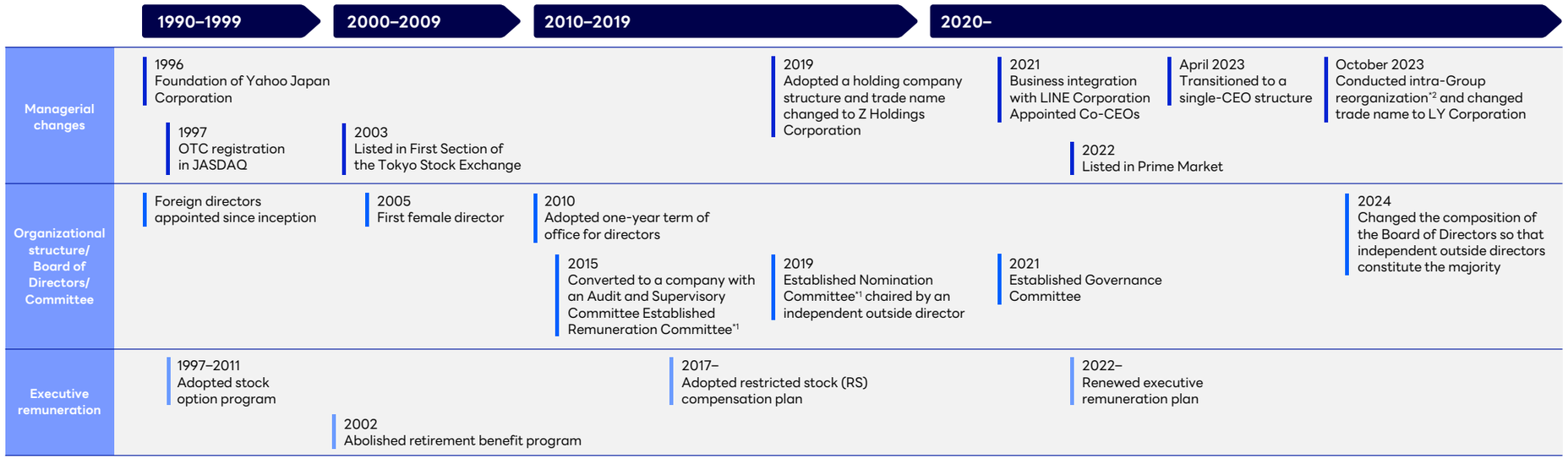
Evolution of Governance

Our corporate governance continues to evolve in response to changes in the digital platform market and the expansion of our Group's business. As voluntary committees, we have established the Nominating and Remuneration Committee, as well as the Governance Committee, which is composed of independent outside directors.

In June 2024, the Board of Directors was restructured so that independent outside directors form the majority. In June 2026, while maintaining this structure, we welcomed new directors, including an outside director with corporate management experience. This strengthened the Board by balancing the experience and expertise of outside and internal directors. We will continue to enhance the effectiveness of the Board and strengthen our corporate governance.

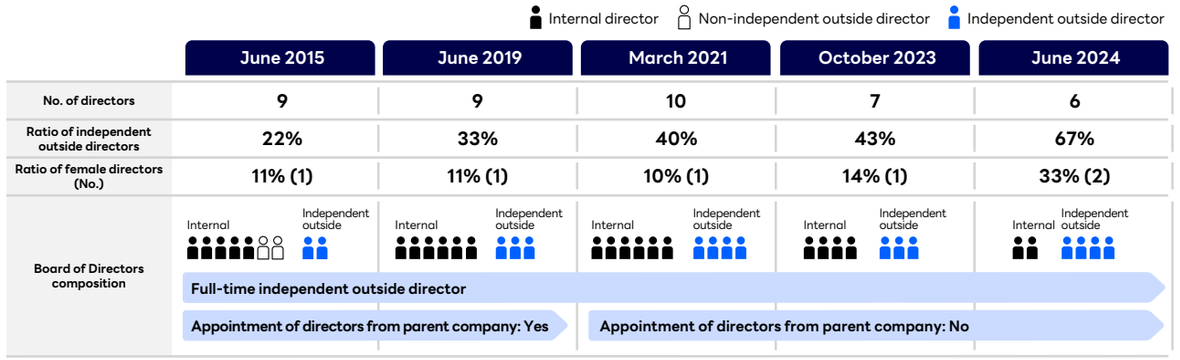


*1 Reorganized to Nominating and Remuneration Committee in 2020, chaired by an independent outside director.
*2 As of October 1, 2023, Z Holdings Corporation conducted an intra-Group reorganization mainly around the core wholly owned subsidiaries, LINE Corporation and Yahoo Japan Corporation, integrating the companies to one company with Z Holdings Corporation as the surviving company.

Changes in Board of Directors*

We have strengthened the Board's supervisory function by appointing a full-time independent outside director and, since June 2024, we changed its composition so that independent outside directors form the majority. Following the business integration of Z Holdings Corporation and LINE Corporation in March 2021, directors invited from the parent company have since resigned. Currently, one representative director of the Company concurrently serves as a board director of the parent company.

*Status after transition to a company with an Audit and Supervisory Committee



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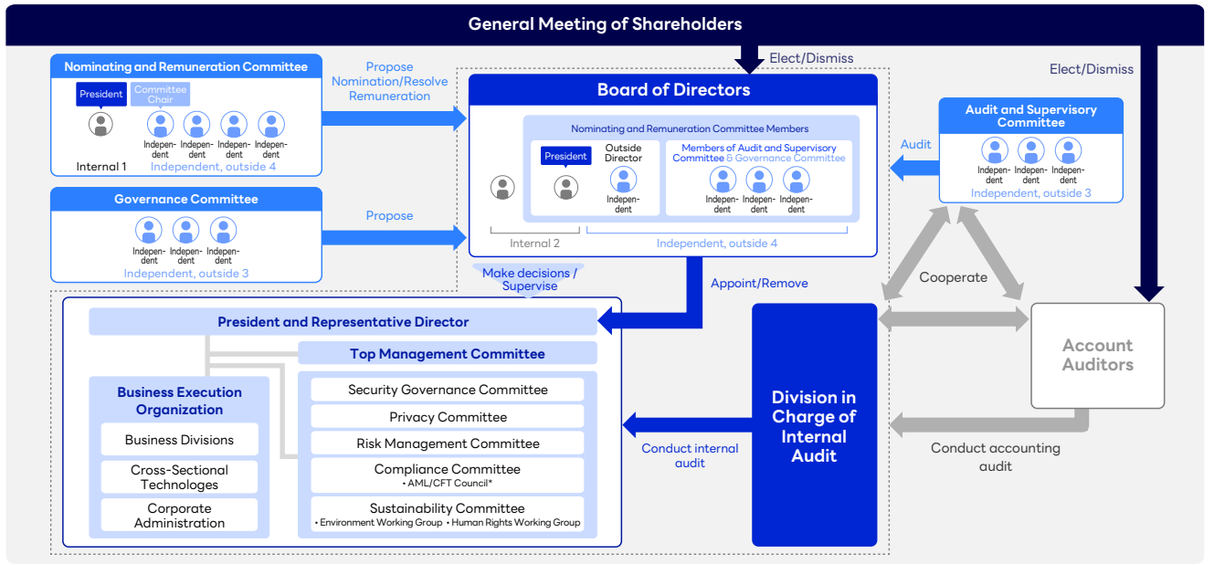
Corporate Governance System

We regard corporate governance as essential to enhancing medium- to long-term enterprise value and ensuring effective management. To ensure swift and fair decision-making that reflects the nature of the internet industry, we have adopted a system with an Audit and Supervisory Committee and established the Nominating and Remuneration Committee and Governance Committee as voluntary committees.

On June 19, 2026, following resolutions at the General Meeting of Shareholders, we transitioned to a new structure comprising two internal directors, one independent outside director, and three independent outside directors serving as Audit and Supervisory Committee members. Through this, we will further strengthen the Audit and Supervisory Committee's oversight and auditing functions, enhance the transparency and objectivity of management decision-making, and strengthen corporate governance.



*The AML/CFT Council makes reports and discusses matters on efforts to combat money laundering and financing of terrorism. (AML stands for Anti-Money Laundering, while CFT stands for Combating the Financing of Terrorism.)

FY2025 meetings overview

(No. of sessions)

	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Board of Directors	1	2	2	1	1	2	1	1	1	1	1	2
Governance Committee	2	2	1	1	1	2	–	–	1	1	–	1
Audit and Supervisory Committee	1	1	2	1	1	1	1	1	1	1	1	1
Nominating and Remuneration Committee	1	1	1	1	–	1	–	1	–	1	1	1

Key Board and Governance Committee topics

- Personal data leakage and security incident response; risk management, compliance, and sustainability reports
- Share repurchase and cancellation of treasury stock
- Share repurchase and cancellation of treasury stock
- Share repurchase and cancellation of treasury stock
- Financial results/investor feedback
- Financial results/investor feedback
- Financial results/investor feedback
- Financial results/investor feedback
- Shareholding policy (Group companies)
- M&A (domestic projects)
- M&A (overseas projects)
- M&A/shareholding policy (Group companies)
- M&A (overseas projects)
- M&A/shareholding policy (Group companies)
- M&A/shareholding policy (Group companies)
- Effectiveness evaluation
- Effectiveness evaluation policy
- Board effectiveness feedback interviews
- Effectiveness evaluation interviews
- Strategic discussions on focus areas
- Strategic discussions on focus areas
- Budget deliberations
- Board operation policy

Key Board agenda Key Governance Committee agenda. Other key governance matters, including transactions with related parties and their subsidiaries, were discussed throughout the year.

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Corporate Governance System

Board of Directors

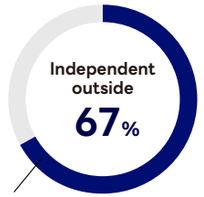
Chair Takeshi Idezawa **FY2025 meeting** 16

The Board decides on management policies/strategies, business plans, key asset transactions, and organizational and HR matters. It also oversees directors' performance.

FY2025 agenda

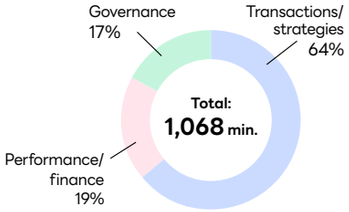
- Transactions/strategies
  - Strategy for strengthening and expanding products and services (e.g., intra-Group reorganization, business progress, AI utilization)
  - Large-scale transactions of the Company and subsidiaries (e.g., M&A, share buybacks and treasury stock cancellations under capital allocation policy)
- Performance/finance
  - Reports on financial results, performance, investments and loans
  - Budget deliberations
- Governance
  - Responses to personal data leakage, security incidents
  - Risk management, compliance, sustainability, work environment reports
  - FY2025 Board effectiveness evaluation

Composition



Independent outside directors: 4
Internal directors: 2

Deliberation time by agenda (FY2025)



Audit and Supervisory Committee

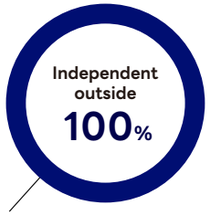
Chair Yoshio Usumi **FY2025 meeting** 13

The Committee audits and oversees the validity of overall business policies, plans, and procedures as well as operational effectiveness and legal compliance. Based on audit plans and results from accounting auditors and the internal audit division, it also regularly shares opinions with directors not serving on the Committee.

FY2025 agenda

- Progress on business portfolio transformation and AI implementation in services
- Review of response status to ransomware damage at a subsidiary and progress on strengthening the security system of the entire Group
- Management and internal control validity/effectiveness, etc.

Composition



Independent outside directors: 4

Nominating and Remuneration Committee (voluntary)

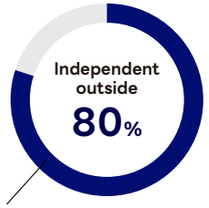
Chair Yoshio Usumi **FY2025 meeting** 9

The Committee makes proposals to the Board on matters such as representative director and director nominations and sets/provides proposals to the Board on directors' remuneration (excluding Audit and Supervisory Committee members). To ensure independence, majority of the members are independent outside directors, and resolutions require approval by a majority of attendees, with over half eligible present.

FY2025 agenda

- Level and composition of executive remuneration
- Performance evaluation indicators and calculation methods for cash bonuses and stock-based remuneration
- Future representative director structure and director appointments

Composition



Independent outside directors: 4
Yoshio Usumi (Chair)
Maiko Hasumi
Tadashi Kunihiro
Yuko Takahashi
Internal director: 1
Takeshi Idezawa

Governance Committee (voluntary)

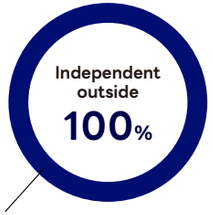
Chair Tadashi Kunihiro **FY2025 meeting** 12

The Committee reviews related-party (e.g., parent company) transactions requiring Board discussion, assessing fairness, economic rationale, and legality before submission to the Board. It also checks related-party transactions above a set threshold that are not submitted to the Board, from the same perspectives. Furthermore, by addressing key corporate governance issues, it strengthens Board oversight, improves governance, and protects minority shareholders.

FY2025 agenda

- Transactions with related parties (e.g., SoftBank Group Corp., SoftBank Corp., A Holdings Corporation, NAVER Corporation) and their subsidiaries
- Important transactions (e.g., M&A)
- Dialogue with outside directors of related parties and listed subsidiaries
- Proposals on Board effectiveness evaluation, etc.

Composition



Independent outside directors: 4
Tadashi Kunihiro (Chair)
Yoshio Usumi
Maiko Hasumi
Yuko Takahashi

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Directors' Skills Matrix

		Takeshi Idezawa (Age: 53)	Ryosuke Sakaue (Age: 51)	Genichi Tamatsuka (Age: 64)	Yoshio Usumi (Age: 68)	Yuko Takahashi (Age: 60)	Aki Shimizu (Age: 49)
Attributes	Gender	Male	Male	Male	Male	Female	Female
	Position	President and Representative Director CEO (Chief Executive Officer)	Director CFO (Chief Financial Officer)	Outside Director (Independent Director)	Outside Director (Independent Director) Full-time Audit and Supervisory Committee Member	Outside Director (Independent Director) Audit and Supervisory Committee Member	Outside Director (Independent Director) Audit and Supervisory Committee Member
				Experienced corporate executive	Executive management experience	Certified Public Accountant	Attorney
	Years of service	5 years	—	—	7 years	2 years	—
Expertise, etc.	Corporate management	●		●	●	●	
	Industry experience	●	●	●			
	Global management/Internationality	●		●			
	Investment/Market		●				
	Management/Corporate planning/ Finance/Accounting		●		●	●	
	Risk management/Law						●
	Sustainability	●	●		●		●

Notes: This skills matrix does not represent the entirety of each director's expertise or experience, but highlights their primary areas of expertise and experience.
Age and years in office are as of September 30, 2026.

Details of expertise/experience

Corporate management	Experience in corporate management
Industry experience	Expertise and experience in the IT industry (e.g., advertising, media, e-commerce, fintech) and digital transformation
Global management/ Internationality	Experience in overseas business development, etc.
Investment/Market	Expertise and experience, such as knowledge in financial markets as an analyst

Management/Corporate planning/Finance/Accounting	Expertise and experience in corporate operations such as management accounting, accounting corporate planning, financial accounting, and human resources
Risk management/Law	Expertise and experience in risk management and legal matters
Sustainability	Expertise and experience in sustainability issues such as environmental and social issues

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Board Effectiveness Evaluation

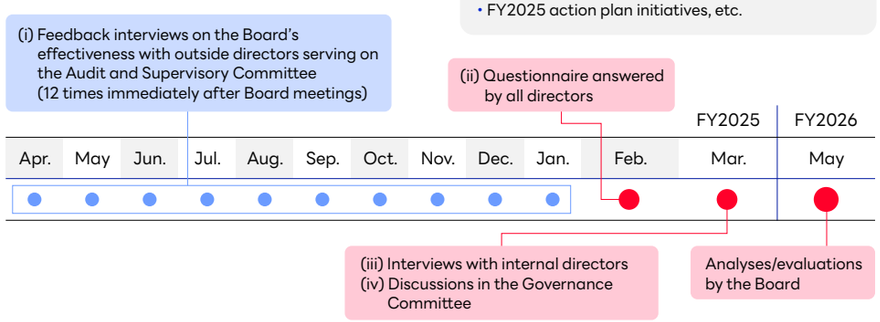
We conduct an annual evaluation of the effectiveness of our Board of Directors to further enhance the governance of our Company and the Group. To strengthen governance through the PDCA cycle, we review the progress made on issues identified in the previous year and establish new priorities and action plans based on the findings. In addition, interviews are conducted with outside directors to gather feedback on the Board's effectiveness after its meetings to enable prompt and detailed improvements throughout the year. The summary for FY2025 is as follows.

Method of evaluation

The Board's effectiveness was analyzed and evaluated mainly by implementing measures (i) to (iv) below.

Key questionnaire items

- Board composition and operation
- Management and business strategies
- Corporate ethics and risk management
- Performance monitoring
- Evaluation and remuneration of top management
- Dialogue with shareholders
- FY2025 action plan initiatives, etc.

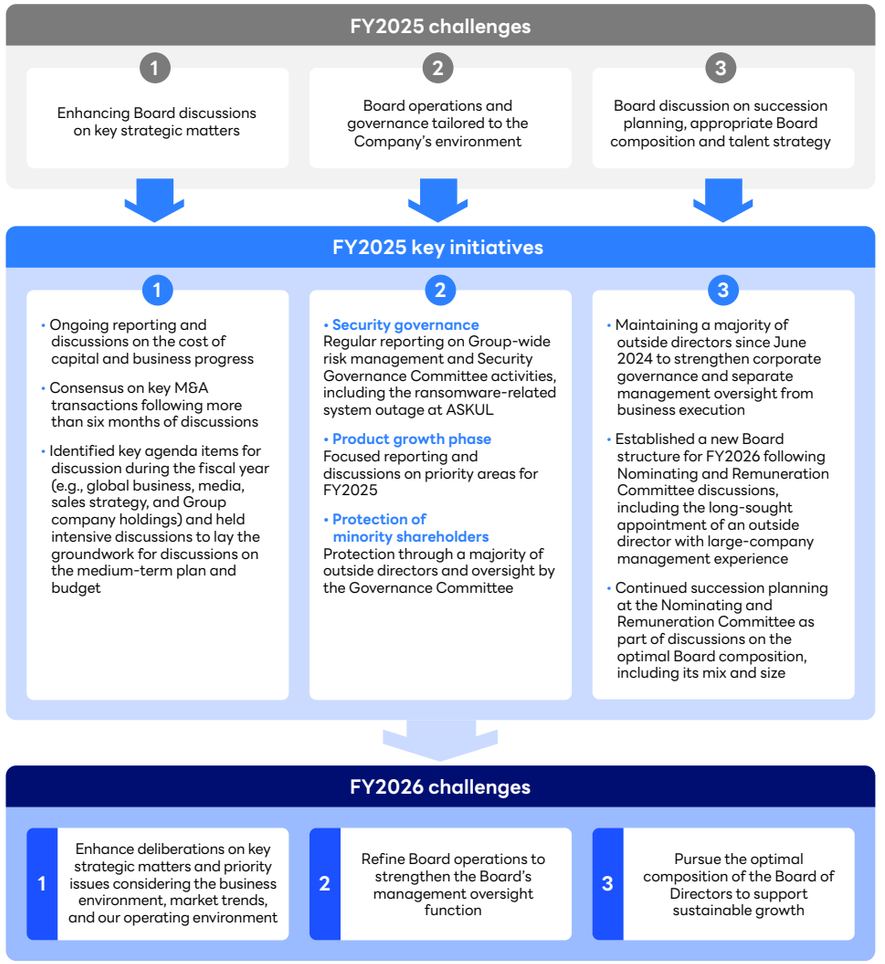


Evaluation results

The Board analyzed and discussed the results of (i) to (iv) and other factors, concluding that it is effective as a whole. Key points are as follows:

- Our Board of Directors consists of six directors, including four outside directors, who constitute a majority. This structure has accelerated decision-making, further separated management oversight from execution, and diversified the Board's expertise, leading to more substantive discussions.
- Strategic projects and priority issues are discussed thoroughly over multiple sessions before consensus is reached, ensuring thorough deliberations by the Board and the effective functioning of its management oversight.
- Security incidents at Group companies are also reported on an ongoing basis, with the Board monitoring incident and risk management across the Group, including the Company.

The analysis and evaluation identified areas for improvement, including deepening substantive discussions by considering individual matters within the overall strategy and continuously reviewing the optimal Board composition to ensure effective management oversight amid changes in the business environment. In FY2026, we will work to address these issues while continuing other proactive initiatives to further enhance Board effectiveness and increase corporate value.



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Remuneration Policy

Policies and procedures for deciding directors' remuneration

LY Corporation has positioned executive remuneration as one of the key management strategies to encourage the top management team to exercise their leadership. The "Policy for Determining the New Remuneration, Etc., for Individual Directors" has been established to encourage bold risk-taking by the top management team through executive remuneration and to enable us to achieve sustainable growth.

Director remuneration for FY2025

Directors/Audit and Supervisory Committee members	Total remuneration (millions of yen)	Breakdown of total remuneration (millions of yen)					Number of persons
		Monetary		Non-monetary			
		Base remuneration	Bonus (Performance-based)	Restricted stocks (Performance-based)	RSU plan (Board Incentive Plan Trust) (Non-performance-based)	Stock option (Non-performance-based)	
Directors (excl. Audit and Supervisory Committee members)	884	170	187	17	55	455	2
(Of which for outside directors)	(–)	(–)	(–)	(–)	(–)	(–)	(–)
Directors (Audit and Supervisory Committee members)	90	83	–	–	7	–	4
(Of which for outside directors)	(90)	(83)	(–)	(–)	(7)	(–)	(4)
Total	975	253	187	17	63	455	6
(Of which for outside directors)	(90)	(83)	(–)	(–)	(7)	(–)	(4)

Outline of the remuneration plan for directors (excluding those serving on the Audit and Supervisory Committee)

60–80%	Stock-based remuneration		**Stock option (50–90%)** Incentives to contribute to the enhancement of shareholder value and corporate value over the medium to long term
			RSU plan (10–50%) Alignment with shareholders and retention of talented management personnel
10–20%	Cash bonuses	Monetary remuneration	Incentives to contribute to short-term performance and to enhancement of corporate value
10–20%	Base remuneration		Monetary remuneration based on roles and responsibilities

*When each indicator's target achievement is 100%

Upper limit of remunerations, etc.

Directors (excluding those serving on the Audit and Supervisory Committee)

Type of remuneration		Maximum amount	Maximum no. of shares
Monetary	Base remuneration and cash bonuses	JPY 2.5 billion/year (includes outside directors JPY 300 million)	—
Stock-based	Stock option	JPY 2.4 billion/year	130,000 units/year (equivalent to 13 million shares)
	RSU plan (Board Incentive Plan Trust)	Contribute up to JPY 500 million in trust funds in the first fiscal year of each of the three fiscal years covered	1.1 million shares per eligible period

Directors serving on the Audit and Supervisory Committee

Type of remuneration		Maximum amount	Maximum no. of shares
Monetary	Base remuneration	JPY 200 million/year	—
Stock-based	RSU plan (Board Incentive Plan Trust)	Contribute up to JPY 50 million in trust funds in the first fiscal year of each of the three fiscal years covered	120,000 shares per eligible period

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Security Governance Framework

LY Corporation has established a security supervisory organization under the Board of Directors, headed by the CISO appointed and delegated authority by the President and Representative Director (CEO). This body sets rules and provides guidance and support to Group companies. To ensure security governance, we have also established a Security Governance Committee that reports directly to the CEO. In addition, the Group CISO Board, comprising our CISO and CISOs from key Group companies relevant to our business, strengthens security governance across the Group.

Security Governance Committee

Chair LY Corporation CEO

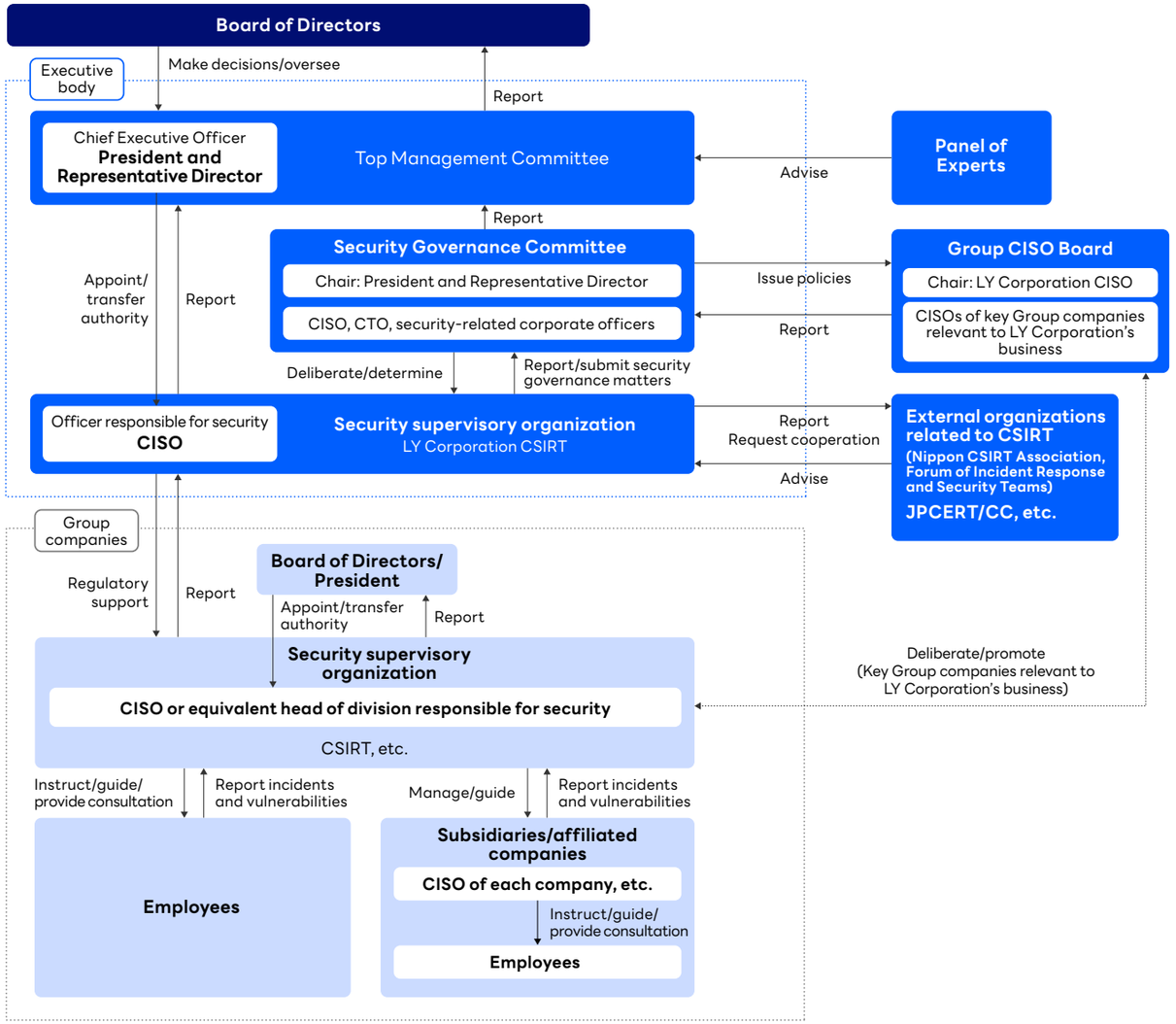
We have established the Security Governance Committee under the direct supervision of the CEO to ensure security governance across our company. The Committee also serves as a forum for discussing robust security governance in our global development structure.

Group CISO Board

Chair LY Corporation CISO

Based on Security Governance Committee policies, the Group CISO Board, which comprises CISOs from key Group companies relevant to our business, discusses and promotes various initiatives, such as developing and operating unified security rules, to strengthen security governance across the Group.

Security governance structure (As of the end of March 2026)



Note: CSIRT (Computer Security Incident Response Team)

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Building Effective Security Governance to Protect Business Continuity and Corporate Value

Profile

Joined SoftBank Corp. in 1996 and became CISO in 2015 after working in network engineering and security. Joined the former Yahoo Japan Corporation in 2016 and, as the head of security, led Group-wide security strategy while strengthening security governance. Assumed the current role in April 2026, overseeing security strategy, governance, and incident response across the LY Corporation Group and building a security framework for the AI era.

Treating cybersecurity as a core management issue

LY Corporation has made "Privacy & Security First" a management policy. For us, information security is not simply a technical issue. It is a management priority directly tied to user trust, business continuity, and corporate value.

Having responded to numerous incidents over the years, I have come to recognize the importance of both preventing problems and having systems in place so that, when an incident occurs, we can minimize damage and recover quickly. The question I value most when making decisions is whether we can justify those decisions to our stakeholders. I believe the essence of security in management is to consistently make accountable decisions while balancing security with convenience and risk with growth.

A strong security foundation forged through crisis response

As part of measures to prevent a recurrence of the unauthorized access incidents that began in 2023, we reviewed our security controls, including efforts led by my predecessor, Nakahara, to separate our network from NAVER Cloud Corporation. These measures were completed as planned in March 2026. Building on this foundation, I will lead the next phase: operating effective governance across the Group and further strengthening our security.

These initiatives went far beyond system changes. Drawing on rigorous US cybersecurity standards, including those of the National Institute of Standards and Technology (NIST), we fundamentally reviewed our security framework. We established dedicated security areas for handling particularly sensitive user data, with strict restrictions and monitoring. We also changed how we manage subcontractors: contracts and orders cannot proceed until supplier and project risk assessments are complete. Rather than applying temporary fixes, we have built a structural foundation designed to withstand future threats. With these recurrence prevention measures now complete, we are moving from crisis response to structurally strengthening security governance.

The essence of governance: Lessons learned from the ASKUL incident

As we worked to strengthen Group governance, the ransomware incident at ASKUL served as a stark reminder of the impact cyberattacks can have on business continuity and corporate value. It also gave us an important opportunity to reassess our own approach to Group governance.

When the incident occurred, LY Corporation worked with external security firms and dispatched a team of around 30 security professionals and engineers to the site. The Group worked together to bring the situation under control as quickly as possible, investigating the extent of the damage, supporting recovery, and assisting with external communications.

The experience reinforced an important lesson: technical expertise alone is not enough to manage an incident. The greater the pressure to restore operations, the more important it is to clearly distinguish what we can confidently declare safe from what remains uncertain. We did not allow optimism to drive our decisions, consistently following the principle that anything that cannot clearly be determined to be safe must be treated with caution. This increased the burden of recovery, but our highest priorities were reducing the risk of recurrence and remaining accountable to stakeholders. This is an unwavering principle that will continue to guide our decisions.

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We have also extended the lessons from this incident across the entire Group. We identified common technical measures and operational issues requiring improvement and conducted urgent reviews and improvement activities across Group companies. Going beyond recovery and turning the lessons from every incident into a catalyst for organizational improvement—that is precisely the governance we strive for.

Making governance effective across the Group

The LY Corporation Group has expanded its business through M&A and other means, bringing a diverse range of companies into the Group. Maintaining a consistent level of security across organizations with different businesses, system environments, and corporate cultures is not easy. That is why we remain committed to balancing effective oversight as the parent company with operations that respect the autonomy of each Group company.

At the center of this framework is the Security Governance Committee, which reports directly to the President and Representative Director and ensures direct involvement by management. Significant risks and emerging threats are shared with executives and the Board of Directors so that these issues are addressed at the management level.

We also operate the Group CISO Board, comprising LY Corporation's CISO and the CISOs of major Group companies with strong business links to LY Corporation. This enables Group companies in Japan and abroad to take a consistent approach to security. Rather than mechanically applying uniform standards, we help each company raise its security level in ways that are effective and sustainable, taking into account its business characteristics and specific circumstances.

Building strong relationships in normal times is essential to making this framework work. Regular information sharing and mutual support enable us to coordinate and provide assistance quickly during emergencies. Group governance is not only a system of oversight; it is also a network of trust through which we support one another.

Security that supports growth in the age of AI

Advances in AI are also bringing significant changes to cybersecurity. Attackers are using AI to make threats increasingly sophisticated, but we can also use AI to identify vulnerabilities that were previously difficult to detect and to dramatically improve our monitoring and analysis capabilities. At LY Corporation, we continue to enhance AI-powered detection and analysis as we pursue faster, more accurate security operations.

At the same time, protecting the information users entrust to us is becoming more important than ever in the age of AI agents. We protect sensitive user information as rigorously as we protect personal information, while working closely with our service teams to continually review how information is handled so that security and new forms of convenience can coexist. Alongside these efforts, we are strengthening security across the organization. We are promoting training and standardization for all engineers and building systems that do not depend excessively on individual skills or experience. Security is not the responsibility of a small group of specialists. We see it as a management foundation that must be upheld by the entire organization and are working to embed that principle in our corporate culture.

Security does not directly generate revenue or profit. Yet a robust security foundation gives users the confidence to use our services while making the LY



Corporation Group a trusted choice for our business partners and merchants. We will continue to strengthen our ability to defend against threats and recover from incidents, while evolving our security foundation to support business growth and enhance corporate value.

(Interview date: July 3, 2026)

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(JPY MM)

	Yahoo Japan Corporation				Z Holdings Corporation*1				LY Corporation*2		
	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Revenue	652,327	853,730	897,185	954,714	1,052,943	1,205,846	1,567,421	1,672,377	1,814,663	1,917,478	2,036,366
Cost of sales	247,372	373,513	382,467	408,912	424,463	432,446	497,021	511,131	520,449	529,522	530,095
SG&A expenses	239,653	277,430	339,573	406,581	468,032	591,964	902,586	1,007,606	1,110,979	1,115,977	1,220,903
Adjusted EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	294,837	331,486	332,610	414,917	470,831	496,681
Adjusted EBITDA margin	n.a.	n.a.	n.a.	n.a.	n.a.	24.50%	21.10%	19.90%	22.90%	24.60%	24.40%
Operating income	224,997	192,049	185,810	140,528	152,276	162,125	189,503	314,533	208,191	315,033	341,322
Equity in losses of associates and joint ventures	1,317	947	1,045	-17,541	-24,542	-19,418	-46,135	-38,728	-16,491	-9,677	-7,496
Profit before tax	226,585	193,475	193,177	123,370	135,676	142,615	158,542	235,219	181,621	274,882	294,231
Net income	172,492	132,634	134,412	77,828	88,020	89,120	91,631	189,163	139,073	202,403	283,090
Net income attributable to owners of parent	171,617	136,589	131,153	78,677	81,675	70,145	77,316	178,868	113,199	153,465	193,692
Adjusted EPS (JPY)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	11.6	10.7	22.3	24.9	28.7
Total assets	1,342,799	1,534,212	2,516,633	2,429,601	3,933,910	6,691,328	7,110,386	8,588,722	9,043,969	9,158,346	11,205,191
Cash and cash equivalents	449,164	543,067	868,325	546,784	880,100	1,065,726	1,127,523	1,651,851	1,420,430	1,043,944	1,068,032
Loans in credit card business	-	129,648	186,711	253,340	342,245	407,955	475,528	593,058	783,869	983,790	1,252,928
Securities in banking business	-	-	308,436	419,551	415,809	517,984	464,145	414,719	655,075	908,887	1,550,844
Loans in banking business	-	-	76,077	80,942	98,752	247,047	414,620	620,383	723,167	926,334	1,615,955
Goodwill	156,362	159,505	162,015	175,301	400,034	1,790,487	1,788,481	2,074,779	2,067,862	2,073,470	2,191,690
Intangible assets	128,711	138,692	167,112	165,293	679,375	1,061,780	1,216,379	1,267,738	1,248,923	1,233,421	1,309,654
Total liabilities	430,035	535,502	1,394,746	1,519,077	2,886,086	3,701,730	4,128,188	5,270,822	5,596,983	5,739,431	7,491,682
Trade and other payables	270,766	287,978	348,346	394,545	589,342	616,681	524,989	1,351,794	1,551,611	1,712,145	2,218,513
Customer deposits in banking business	-	-	708,054	768,613	903,118	1,186,206	1,431,175	1,495,629	1,672,746	1,830,293	2,701,160
Interest-bearing liabilities	24,292	104,546	190,574	215,212	1,086,436	1,389,563	1,666,503	1,913,799	1,882,752	1,694,398	1,961,998
Total equity	912,764	998,709	1,121,887	910,523	1,047,823	2,989,597	2,982,197	3,317,900	3,446,985	3,418,915	3,713,509
Capital surplus	-3,081	-4,366	-4,602	-12,545	212,539	2,063,881	2,037,384	2,046,696	2,060,766	1,880,031	1,699,597
Total equity attributable to owners of parent	844,165	930,820	1,013,368	818,291	771,548	2,682,318	2,684,377	2,919,399	3,037,088	2,998,170	2,998,805
Non-controlling interests	68,598	67,888	108,518	92,231	276,274	307,279	297,819	398,501	409,897	420,745	714,704
Cash flows from operating activities	105,409	127,023	75,457	149,957	241,578	207,921	266,314	93,051	316,477	519,590	662,854
Cash flows from investing activities	-110,537	-57,047	232,556	-212,193	-503,734	-12,349	-303,899	319,786	-444,060	-505,633	-809,247
Free cash flow	-5,128	69,976	308,013	-62,236	-262,156	195,572	-37,585	412,837	-127,583	13,957	-146,393
Cash flows from financing activities	-49,357	23,996	21,289	-263,305	595,809	-12,070	91,630	105,791	-81,490	-416,797	153,309
Net leverage ratio (x)	-	-	-	-0.60	2.03	1.81	2.48	2.12	1.74	1.61	1.91
Total number of shares outstanding (thousands)	5,695,291	5,695,577	5,696,866	5,151,629	4,822,507	7,655,201	7,596,161	7,633,501	7,637,068	7,154,182	6,884,244

*1 LINE Corporation and Z Holdings Corporation merged on March 1, 2021. *2 LY Corporation was established on October 1, 2023, following an intra-group reorganization.

LY Corporation