What Are Our Medium-term Business Strategies?

This section outlines our Mid-term Plan and its progress, our *Beyond Carrier* growth strategy, and overview and competitive advantages of each segment. In addition, the head of the Finance Business Promotion Division at PayPay explains the background to the rapid growth of the PayPay Group, the core of our Financial segment.

Medium-term Management Plan

	FY2025 targets	Progress in FY2024
Financial targets	**Net income*1: Pursue record-high profit (¥540.0 billion) in FY2025** (Revised upward from ¥535.0 billion in May 2025) **Operating income: Aim for ¥1 trillion in FY2025** (Revised upward from ¥970.0 billion in May 2025)	**Net income*1: ¥526.1 billion** **Operating income: ¥989.0 billion** (Achieved initial target one year ahead of schedule)
Non-financial targets	Aim to procure all electricity needed for the telecommunications business from renewable energy generation*2, with **more than half of the electricity generated from renewable energy by FY2030** Ratio of renewable energy to electricity used by the Company*3 **FY2025: 60%** (Revised upward from 50% in May 2025), FY2030: 100%	**Ratio of renewable energy to electricity used by the Company*3: 54%**
Shareholder returns	Continue to generate high level of primary free cash flow*4 and **maintain high level of shareholder returns** (Dividend of ¥8.6 per common share planned for FY2025)	**Primary free cash flow*4: ¥603.3 billion**

Progress in FY2024

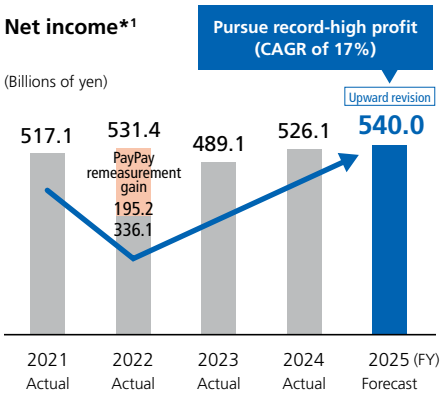
In FY2024, we achieved revenue and profit growth in all segments, and met our Mid-term Plan targets for revenue and operating income one year ahead of schedule. This was mainly due to the solid performance of mobile service revenue in the Consumer segment, strong results from account advertising in the Media & EC segment, and the significant expansion of *PayPay's* gross merchandise value (GMV) in the Financial segment, which led to the segment turning profitable. In light of this steady progress, we revised upward the financial targets of our Mid-term Plan, which concludes in FY2025, in May 2025. The revised financial targets are ¥1 trillion in operating income (an increase of ¥30.0 billion from the May 2023 forecast) and ¥540.0 billion in net income*1 (an increase of ¥5.0 billion).

Overview of non-financial targets and progress in FY2024

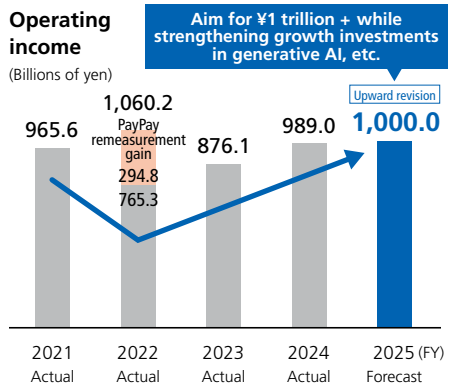
We have set a target for the ratio of renewable energy to electricity used by the Company*3. At the time of the Mid-term Plan's announcement, we set targets of 50% by FY2025 and 100% by FY2030 (of which more than half will be procured from power generated from renewable energy sources). To achieve this, we are not only using non-fossil certificates but also promoting energy conservation at our base stations, which account for half of our annual greenhouse gas emissions. As part of our continued efforts to achieve our targets, we have entered into a major contract with a power producer to newly procure renewable energy*5.

As these initiatives proved successful and the ratio of renewable energy to electricity used by the Company*3 reached 54% in FY2024, we revised upward our FY2025 target to 60% in May 2025.

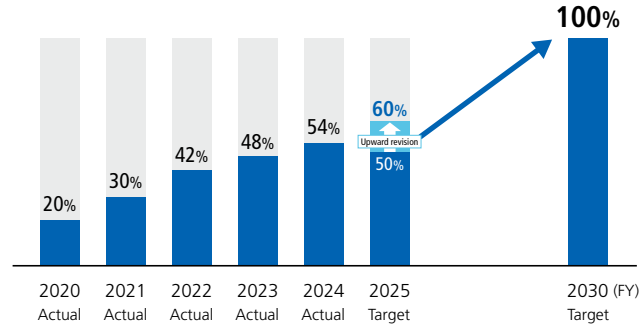
Net income*1



Operating income



Renewable energy ratio (electricity used by the Company)*3



Renewable energy ratio:
achieve 100% in FY2030 with more than half of power supply from renewable energy

*1 Net income attributable to owners of the Company
*2 Includes the use of non-fossil certificates designated as renewable energy
*3 Total of SoftBank Corp. and Wireless City Planning Inc.
*4 Primary free cash flow is a measure calculated by adding back the amounts spent as long-term growth investments to adjusted free cash flow (excluding LY Group, PayPay, etc.). Adjusted free cash flow (excluding LY Group, PayPay, etc.) = free cash flow + (proceeds from the securitization of installment sales receivables – repayments thereof) - free cash flow of the LY Group, PayPay, etc. + other items such as dividends received from A Holdings Corporation and investment in PayPay Securities Corporation. "LY Group, PayPay, etc." refers to A Holdings Corporation, LY Corporation and its subsidiaries (LY Group), B Holdings Corporation, PayPay Corporation, PayPay Card Corporation, PayPay Securities Corporation, etc. Long-term growth investments include investments in AI computing infrastructure and AI data centers.
*5 Mainly renewable energy with additionality (effect of encouraging additional new renewable energy generation capacity)

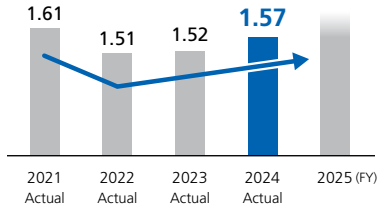
Medium-term Management Plan

	Business targets	Progress in FY2024
Consumer	■ Mobile service revenue: To hit bottom in FY2023 and return to growth ■ Segment income: To hit bottom in FY2022 and return to growth	■ Mobile service revenue: Achieved one year ahead of schedule, with revenue increasing for the second consecutive years from FY2023. Expecting revenue to continue increasing in FY2025. ■ Segment income: Increased for the second consecutive years from FY2023. Expecting revenue to continue increasing in FY2025.
Enterprise	■ Business solution and others revenue: Double-digit growth (CAGR from FY2023 to FY2025) ■ Segment income: Double-digit growth (CAGR from FY2023 to FY2025)	■ Business solution and others revenue: CAGR of 33% over the past two years ■ Segment income: CAGR of 12% over the past two years
Distribution	■ Segment income: ¥30 billion in FY2025	■ Achieved one year ahead of schedule due to strong performance in ICT products for enterprises (FY2024 result: ¥30.4 billion).
Media & EC	■ Improvement of business efficiency and renewed growth of media, search, and commerce business from FY2024 and beyond	■ Implemented selective focus on key business areas and cost optimization. Due to business growth, segment income increased by 20% year on year, even excluding one-time factors*1.
Financial	■ Turn profitable by FY2025	■ Achieved profitability in FY2024, partly due to PayPay becoming profitable (FY2024 result: ¥33.2 billion).

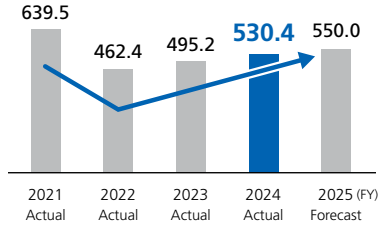
Consumer Segment

In the Consumer segment, we had initially aimed for mobile service revenue to hit bottom in FY2023, but were able to achieve this target one year ahead of schedule, recording revenue growth for the second consecutive year from FY2023. This was mainly due to an increase in mobile service revenue driven by a rise in smartphone subscribers, particularly for the *Y!mobile* brand, and the efficient use of customer acquisition costs. Furthermore, segment income for FY2024 increased for the second consecutive year from FY2023, supported by strong mobile service revenue. We continue to aim for net additions of around 1 million subscribers per year, and the number of smartphone subscribers increased by 1.04 million in FY2024, reaching 31.77 million (P39).

Mobile service revenue (Trillions of yen)



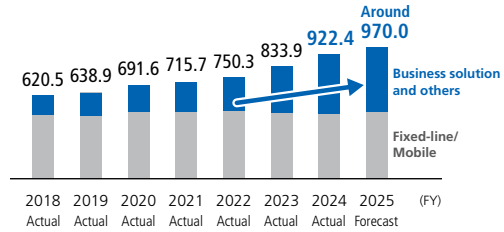
Segment income*2 (Billions of yen)



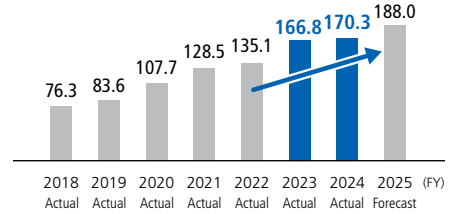
Enterprise Segment

In the Enterprise segment, we are aiming for further growth by providing solutions tailored to company scale and by creating new businesses to solve social issues. In FY2024, business solution and others revenue achieved its target of double-digit growth (CAGR of 33% over the past two years). This was mainly due to taking over the business of WeWork Japan GK, increased revenue mainly from cloud services, security solutions and IoT solutions as a result of capturing enterprise customers' demand for digitalization, and the effect of the consolidation of Cubic[3]. Segment income also achieved double-digit growth (CAGR of 12% over the past two years) (P41).

Revenue*3 (Billions of yen)



Segment income*4 (Billions of yen)



Media & EC Segment

In the Media & EC segment, we are aiming to improve business efficiency and achieve renewed growth in the media, search, and commerce businesses from FY2024 and beyond. In FY2024, we recorded a significant 35% year on year increase in profit (a 20% year on year increase excluding one-time factors*1). This was driven by factors including an increase in revenue from account advertising, an increase in transaction value of the ZOZO Group (ZOZO, Inc. and its subsidiaries) and the ASKUL Group (ASKUL Corporation and its subsidiaries), and a strong performance by service e-commerce, which handles travel and restaurant booking. We expect profit to increase in FY2025 as well, by strengthening the product capabilities of the LY Group (P43) .

Financial Segment

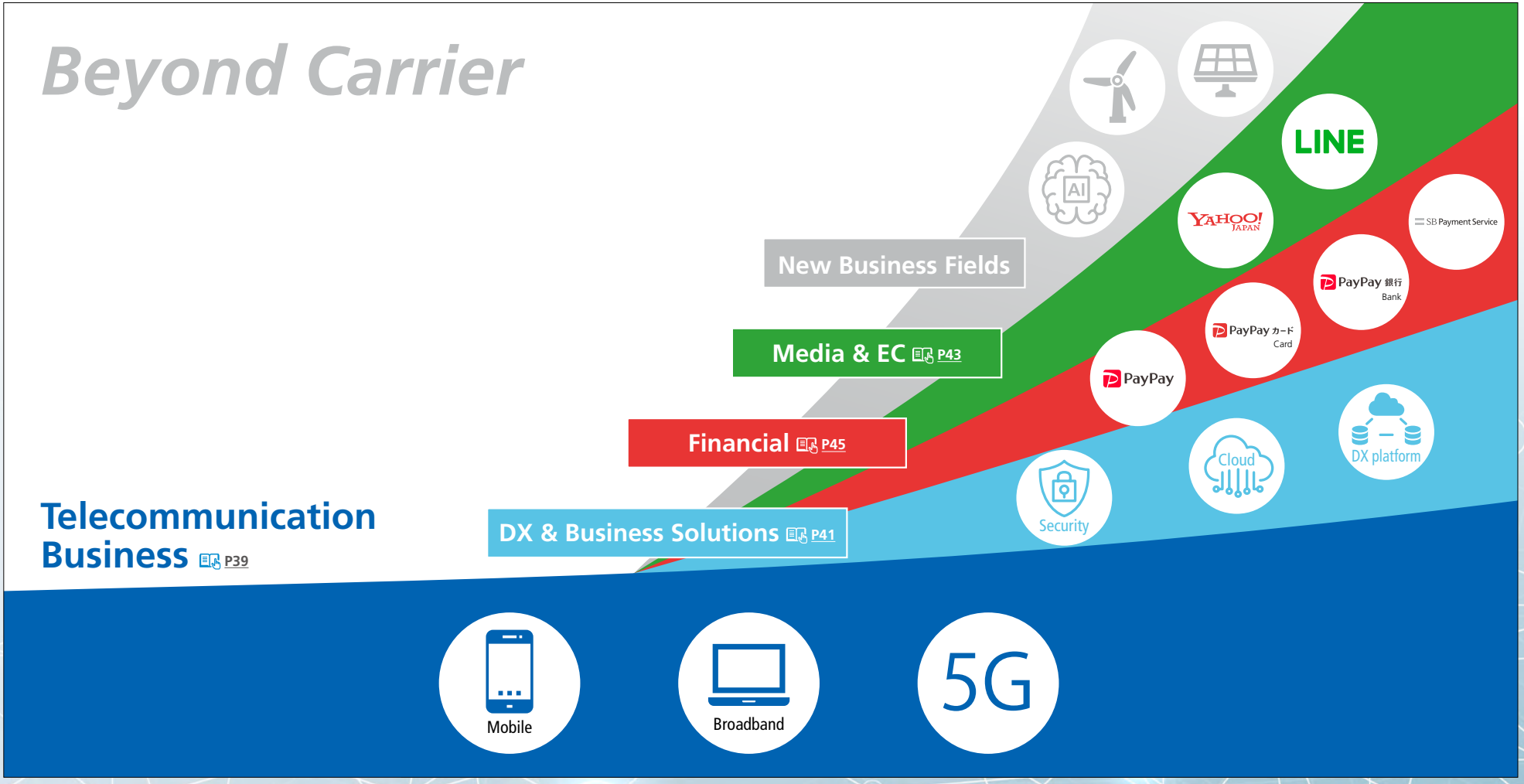
In the Financial segment, we were aiming to become profitable by FY2025, but we achieved profitability in FY2024. This was mainly due to an increase in GMV from QR/barcode payments and credit cards offered by PayPay and PayPay Card, driven by growth in the number of registered users and payments, as well as cost reductions from more efficient sales promotions. Furthermore, PayPay*5 achieved an operating profit of over ¥30.0 billion in FY2024 (P45) .

*1 Gain on loss of control of IPX Corporation (formerly LINE Friends Corporation), LINE NEXT Corporation, and ValueCommerce Co., Ltd., recorded in FY2024.
*2 From the first quarter of FY2024, certain subsidiaries that were previously classified under the "Consumer segment" have been transferred to "Other." As a result, the figures for FY2023 have been retrospectively adjusted.
*3 From the first quarter of FY2024, SB Technology Corp. and Cybertrust Japan Co., Ltd., etc., which were previously classified under "Other," have been transferred to the "Enterprise segment." Also, in the first quarter of FY2024, the Company has revised its business management categories and transferred certain products from "Mobile" and "Fixed-line" to "Business solution and others." As a result, the figures for the "Enterprise segment" and the breakdown of all service categories in the segment revenue for FY2023 have been retrospectively adjusted. Figures before FY2022 are before retrospective adjustment of SB Technology Corp.
*4 From the first quarter of FY2024, SB Technology Corp. and Cybertrust Japan Co., Ltd., etc., which were previously classified under "Other," have been transferred to the "Enterprise segment." As a result, the figures for FY2023 have been retrospectively adjusted. Figures before FY2022 are before retrospective adjustment of SB Technology Corp.
*5 PayPay Corporation, PayPay Card Corporation, Credit Engine, Inc.

Growth Strategy

Maximize corporate value by creating businesses that go beyond just being a telecommunications carrier

Under our *Beyond Carrier* growth strategy, we aim to maximize our corporate value by pursuing sustainable growth in our core telecommunications business while going beyond just being a telecommunications carrier to actively roll out new businesses in the information and technology fields, including DX & business solutions, financial, media & EC, and new business fields. In addition, by strengthening cooperation between the telecommunications business and these Group businesses, we will strengthen the competitiveness of the telecommunications business and create synergies such as expanding service users and boosting user engagement among Group businesses.



Business Strategies by Segment

Consumer Segment

We provide mobile services, broadband services, and electricity services such as *Ouchi Denki* primarily to individual customers in Japan. We also procure mobile devices from mobile device manufacturers and sell them to distributors operating *SoftBank* stores and other establishments, as well as to individuals.

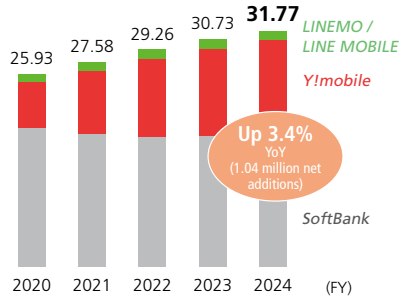
Mobile

The Company provides mobile communications services under its three brands of *SoftBank*, *Y!mobile*, and *LINEMO* to meet the diverse needs of its users.

- SoftBank ····· Unlimited and high volume data
- Y!mobile ····· Low and medium volume data
- LINEMO ····· Online exclusive

*1 Including enterprise subscribers

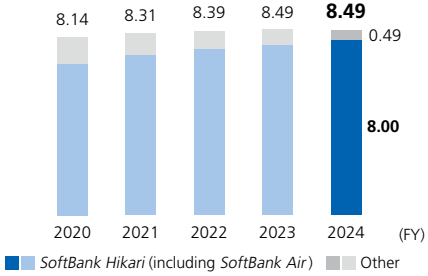
Cumulative number of smartphone subscribers*1 (Millions of subscribers)



Broadband

In addition to *SoftBank Hikari*, the high-speed and large-capacity Internet communications connection service for households that uses an optical fiber network, the Company provides *SoftBank Air*, a broadband service in which users can use Wi-Fi immediately since no installation work is needed. The Company is able to retain smartphone subscribers because discounts are applied on telecommunications service charges for users who combine the service along with *SoftBank* or *Y!mobile* smartphones.

Cumulative number of broadband subscribers (in service) (Millions of subscribers)



Electricity

From April 2016, the Company has been providing electricity services, including *Ouchi Denki*. As with broadband, the Company is able to retain smartphone subscribers by providing discounts for users who bundle the service with *SoftBank* or *Y!mobile* smartphones.

おうちでんき

(*Ouchi Denki*)

Sales of goods and others

Mainly selling mobile devices to distributors and individual customers.

Market environments

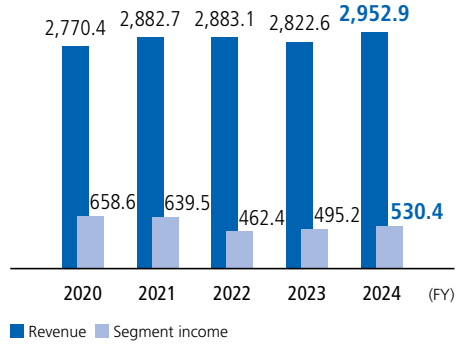
According to a survey by Japan's Ministry of Internal Affairs and Communications*2, 80.5% of individuals in Japan own smartphones as of 2024, indicating that the telecommunications market for individuals is maturing. Accordingly, competition among operators has intensified, raising concerns about the commoditization of telecommunications services, associated price declines, and lower profitability. Meanwhile, data traffic continues to increase due to the transition to 5G and greater use of content such as videos and social media. In this environment, differentiation through diverse rate plans and collaboration with value-added services other than telecommunications is becoming increasingly important.

FY2024 performance

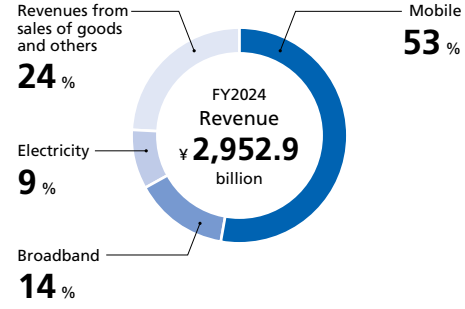
In FY2024, the Consumer segment recorded revenue of ¥2,952.9 billion (up 4.6% year on year) and segment income of ¥530.4 billion (up 7.1% year on year). This was mainly due to an increase in smartphone subscribers, particularly for the *Y!mobile* brand, which led to higher mobile revenue, and the streamlining of customer acquisition costs.

Revenue and segment income*3

(Billions of yen)



Revenue composition



*2 Source: Japan's Ministry of Internal Affairs and Communications, "Communication Usage Trend Survey" (Surveyed in 2024)
*3 From the first quarter of FY2024, certain subsidiaries that were previously classified under the "Consumer segment" have been transferred to "Other." As a result, the figures for FY2023 have been retrospectively adjusted.

Value creation process

Inputs

(End of FY2024)

- Smartphone subscribers: **31.77** million
- Electricity subscribers: **1.95** million
- Broadband subscribers: **8.49** million
- Number of stores*: **6,400**

Outputs

(Main services and products)

- Mobile services (*SoftBank*, *Y!mobile*, *LINEMO*)
- Broadband service (*SoftBank Hikari*, *SoftBank Air*)
- Electricity services (*Ouchi Denki*)

Outcomes

(FY2024 actual)
- Revenue: ¥ **2,952.9** billion, segment income: ¥ **530.4** billion

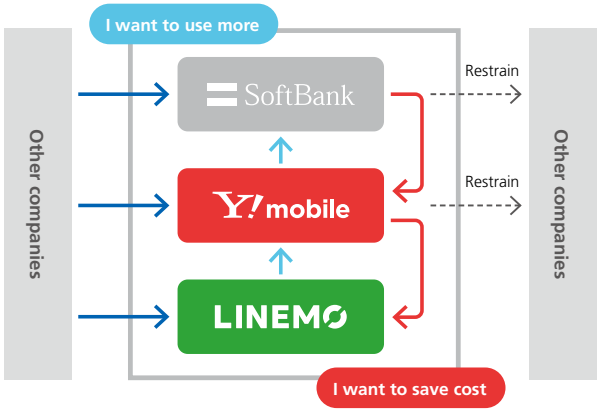
(Creation of social value)
- Provision of an environment in which everyone can access information

* Total of *SoftBank* and *Y!mobile* brands' directly-managed stores, agents, mass merchandisers and other retail channels

Competitive advantages

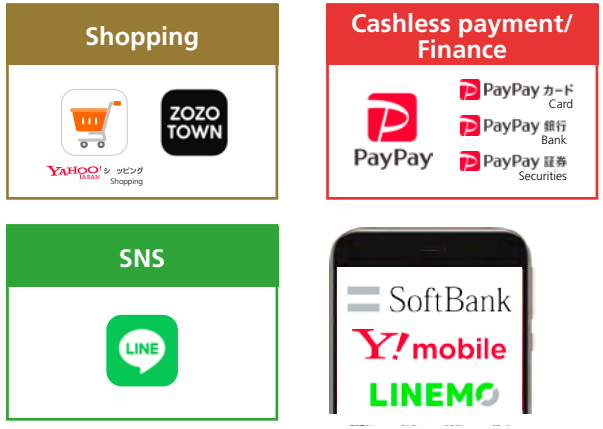
1. Multi-brand strategy

The Company provides three distinct brands: *SoftBank*, which offers unlimited-data plans; *Y!mobile*, featuring lower monthly charges for low to medium volume data users; and *LINEMO*, an online exclusive brand that lets customers complete all procedures and receive support entirely online. By matching price plans to user needs, the Company aims to expand acquisitions of new subscriptions, prevent users from moving outside the Group, and increase ARPU.



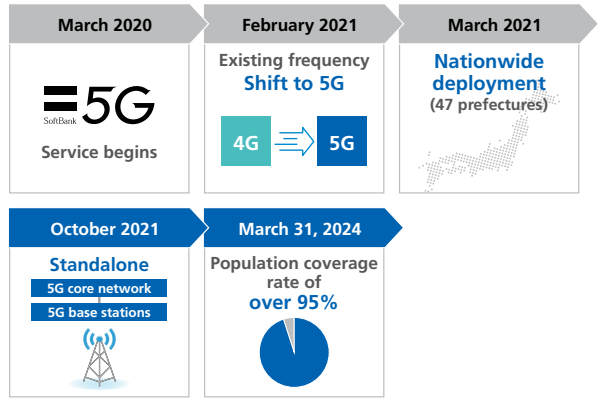
2. Synergy with leading services offered by Group companies

The Group operates some of Japan's largest digital platforms, including *LINE*, *Yahoo! JAPAN*, and *PayPay*. By combining these with our mobile communication service, we deliver unique added value. *SoftBank* and *Y!mobile* users can enjoy *LYP Premium* —which provides numerous benefits from *LINE* and *Yahoo! JAPAN* — at no extra charge. In October 2023 we also launched the *Pay-toku* plan, which boosts *PayPay* Point rewards on *PayPay* purchases. Leveraging these synergies differentiates us from competitors and drives growth by deepening engagement across the Group's ecosystem.



3. High-quality communications networks

Commercial 5G service, introduced in March 2020, now covers more than 95% of Japan's population and continues to expand. To date we have delivered ultra-high-speed, large-capacity connections mainly via non-standalone (NSA) 5G. We are now progressively upgrading to standalone (SA) 5G, which will add ultra-low latency and massive-device connectivity, enabling next-generation services that fully exploit 5G's capabilities.



Enterprise Segment

For enterprise customers, we provide a diverse array of corporate services, including mobile services such as mobile lines and mobile device rentals, fixed-line communications services such as fixed-line telephones and data communications, as well as various solutions for enterprises such as data centers, cloud, security, global, AI, IoT, and digital marketing services.

Enterprise business model

In our Enterprise segment's solution-based business, digital professionals who have undergone consulting and other training programs uncover the individual issues faced by companies and municipalities and propose solutions with a combination of cutting-edge digital products and services including cloud services, security, and IoT along with operation know-how.

*1 As of March 31, 2025

Total solutions

SoftBank

Digital products and services	Operation know-how	User touchpoints
Solutions ▪ Digital marketing ▪ AI ▪ Cloud services ▪ Security, etc.	Operation support	Mobile/broadband: SoftBank
Mobile	Operational efficiency consulting	Communication app: LINE
Fixed-line	Employee education support	Online media/shopping: YAHOO! JAPAN Cashless payment: PayPay

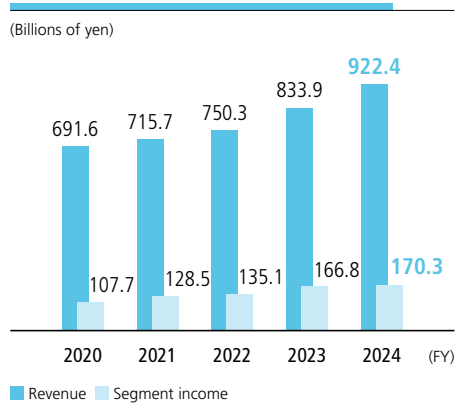
Market environments

To solve social issues such as labor shortages, many companies are promoting digitalization and DX, and demand for solutions that utilize advanced technologies such as cloud services, security, IoT, and AI is rapidly expanding. In this environment, the source of our competitiveness is our ability to acquire and develop specialized professionals with knowledge of both industry and advanced technologies, and to propose end-to-end solutions to issues that enterprises face. In addition, while demand for telecommunication services for enterprise customers remains stable, an expansion of corporate use cases is expected, driven by factors such as the nationwide rollout of standalone 5G.

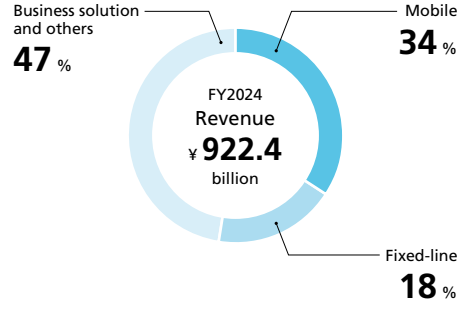
FY2024 performance

The Enterprise segment recorded revenue of ¥922.4 billion (10.6% increase year on year) and segment income of ¥170.3 billion (2.1% increase year on year) for FY2024 (7.9% increase year on year excluding one-time factors*2). This was mainly due to an increase in the number of mobile subscribers, as well as an increase in revenue from solutions including cloud services, security, and IoT, by capturing enterprise customers' demand for digitalization.

Revenue and segment income*3



Revenue composition



*2 Absence of reversal of provisions associated with litigation

*3 From the first quarter of FY2024, SB Technology Corp. and Cybertrust Japan Co., Ltd., etc., which were previously classified under "Other," have been transferred to the "Enterprise segment." As a result, the figures for FY2023 have been retrospectively adjusted. Figures before FY2022 are before retrospective adjustment of SB Technology Corp.

Value creation process

Inputs	Outputs	Outcomes
(End of FY2024) ■ Sales personnel: **3,430** ■ Business with **92**% of large corporations*1	(Main services and products) ■ Mobile services ■ Fixed-line communications services ■ Cloud, security, AI, IoT, and other solution services	(FY2024 actual) ■ Revenue: ¥ **922.4** billion, segment income: ¥ **170.3** billion (Creation of social value) ■ Labor productivity improvement through DX, revitalization of local communities

*1 The percentage of listed companies in Japan with annual sales exceeding ¥100 billion that conducted business with SoftBank Corp. in FY2024

Competitive advantages

1. The largest-scale group of B2C platforms in Japan

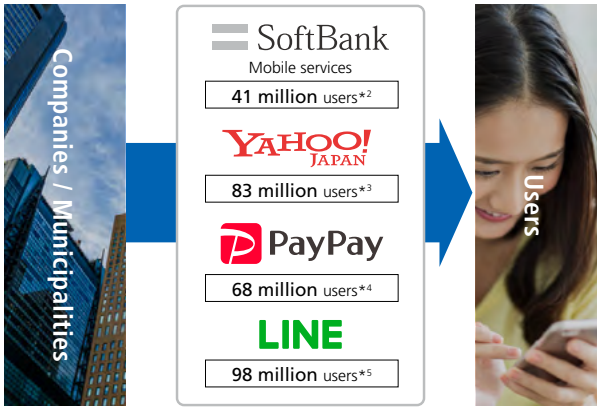
The Company has one of the largest groups of B2C platforms in Japan, with tens of millions of users in diverse fields such as telecommunications, e-commerce, media, communications, and cashless payments. Enterprises and local governments looking to expand their presence online can gain access to a wide range of users in a short space of time by collaborating with the Company, streamlining both the time and cost of marketing.

2. One-stop solution system

The Company addresses the accelerating digitalization needs of enterprises and local governments by delivering a one-stop solution that spans connectivity, cloud, IoT, and security. Also, we are investing in generative AI solutions that elevate and streamline existing business models through AI-driven efficiency and sophistication. Another key strength is that we rigorously deploy advanced solutions internally, refine them with the insights gained, and provide those services to clients.

3. Abundance of digital professionals

With digitalization demand surging in enterprises and local governments, the Company is securing specialists capable of designing and proposing solutions by driving reskilling through targeted training programs and by leveraging an internal job-posting system. In 2024 we strengthened this effort by making SB Technology Corp. a wholly owned subsidiary, concentrating engineering talent and advanced know-how in the Enterprise segment. We are also deploying generative AI tools and RPA to streamline workflows and reallocating the capacity released to new fields such as AI and cloud, bolstering our competitiveness in both the quality and quantity of talent.



*2 Cumulative number of mobile main subscribers (as of March 31, 2025)
*3 Average monthly users from January to October 2024, based on Nielsen's "TOPS OF 2024: DIGITAL IN JAPAN, Top 10 by Total Digital Reach in Japan." Does not include overlap of smartphone and PC users.
*4 Number of users who have registered for a *PayPay* account (as of March 31, 2025)
*5 Monthly active users in Japan (as of March 31, 2025)

Media & EC Segment

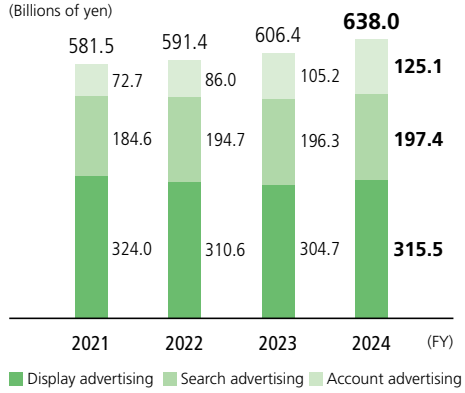
In the Media & EC segment, we offer services that center on media and commerce, covering online to offline services in a comprehensive manner. In the media field, we provide advertising-related services on the comprehensive Internet service *Yahoo! JAPAN* and communication app *LINE*. In the commerce field, we provide e-commerce services such as *Yahoo! JAPAN Shopping* and *ZOZOTOWN*, and reuse services such as *Yahoo! JAPAN Auction*. In the strategy field, we provide services centered on FinTech, which we are working to develop into new drivers of earnings alongside media and commerce.

Media

In the media business, which handles Internet advertising, we aim to expand our advertising revenue by leveraging Group assets and strengthening our products.

In this area, the Company offers search advertising, account advertising, and display advertising, as well as digital content such as games and paid membership programs. Among these, account advertising is a unique product of LY with characteristics of a CRM (Customer Relationship Management) and sales promotion tool. As it is based on a recurring revenue business model that combines a flat-rate fee with pay-as-you-go charges, we expect it to continue to show strong growth.

Advertising revenue

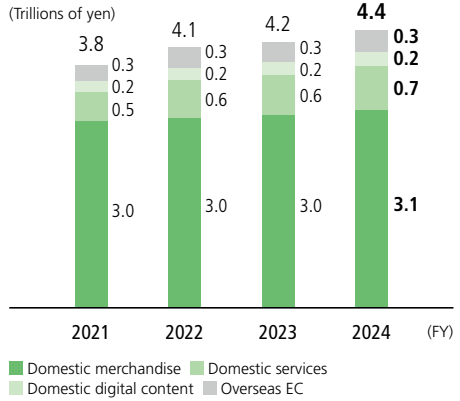


Commerce

In the commerce business, which handles online shopping, we aim for sustainable growth by working to expand e-commerce transaction value through the utilization of Group assets, while continuing to optimize costs and concentrating management resources on highly profitable services.

This area consists of the "shopping business," "reuse business," and "service e-commerce business," and includes services such as *Yahoo! JAPAN Shopping*, *Yahoo! JAPAN Auction*, *ZOZOTOWN*, and *Ikyu*.

EC transaction value



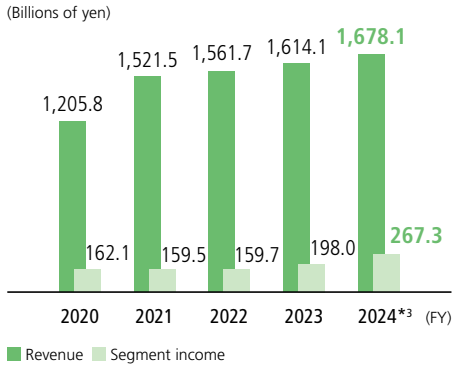
Market environments

According to a survey by Japan's Ministry of Economy, Trade and Industry, in Japan's B2C e-commerce market for merchandise in 2023, the market size was ¥14.676 trillion (4.83% increase year on year), and the e-commerce rate reached 9.38% (0.25 percentage point increase year on year)*1. Although the "stay-at-home demand" has subsided as consumers return to physical stores, the market size continues to expand steadily. Furthermore, while the internet advertising market is expanding steadily against a backdrop of increasing digitalization in society, regulations on the protection of personal information are becoming stricter. Consequently, platform operators that handle internet advertising are required to protect user privacy, ensure thorough information management, and continuously improve ad quality.

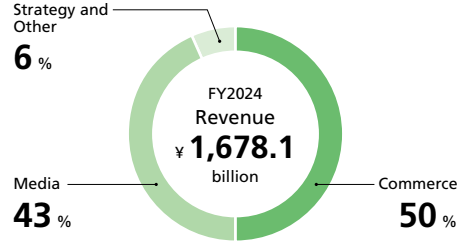
FY2024 performance

The Media and EC segment recorded revenue of ¥1,678.1 billion (4.0% increase year on year) and segment income of ¥267.3 billion (35.0% increase year on year) for FY2024 (20.4% increase year on year excluding one-time factors*2). This was mainly due to an increase in revenue from account advertising, in addition to an increase in the transaction value of the ZOZO Group (ZOZO, Inc. and its subsidiaries) and the ASKUL Group (ASKUL Corporation and its subsidiaries), and a strong performance in the service e-commerce area, which includes travel and restaurant booking.

Revenue and segment income



Revenue composition



*1 Source: Japan's Ministry of Economy, Trade and Industry, "FY2023 E-Commerce Market Survey"
*2 Gain on loss of control of IPX Corporation (formerly LINE Friends Corporation), LINE NEXT Corporation, and ValueCommerce Co., Ltd. recorded in FY2024
*3 Figures for FY2024 are before retrospective adjustment of PayPay Bank Corporation

Business Strategies by Segment / Media & EC Segment

Value creation process

Inputs

- Number of *Yahoo! JAPAN* monthly users
  83 million*1
- Number of *LINE* monthly active users
  98 million*2

Outputs

(Main services and products)

- Media-related services such as advertising, searches, etc.
- E-commerce platforms
  (*Yahoo! JAPAN Shopping*, *ZOZOTOWN*)

Outcomes

(FY2024 actual)

- Revenue: ¥ **1,678.1** billion, segment income: ¥ **267.3** billion
- EC transaction value: ¥ **4.4** trillion*3,
- Total advertising revenue: ¥ **638.0** billion*4

(Creation of social value)

- Increased convenience due to the spread of online shopping, etc.

*1 Average monthly users from January to October 2024, based on Nielsen's "TOPS OF 2024: DIGITAL IN JAPAN, Top 10 by Total Digital Reach in Japan." Does not include overlap of smartphone and PC users.
*2 Monthly active users in Japan (as of March 31, 2025)
*3 Total transaction values of domestic shopping business, reuse business, other (merchandise), ASKUL Corporation's BtoB-related revenue, domestic services, domestic digital content and overseas e-commerce
*4 Sum of total advertising revenue of *LINE* and *Yahoo! JAPAN*

Competitive advantages

1. Marketing solutions utilizing group assets

LY, which operates Japan's top-class services in both communications and cashless payments, leverages these strengths to offer distinctive marketing solutions. By harnessing the wealth of first-party data—information gathered directly from its diverse touchpoints—LY enhances marketing analytics and, through its communication app, drives repeat purchases. This capability enables end-to-end marketing support, from acquiring new customers to encouraging ongoing use.

2. Commerce services adapted to diversifying needs

As user needs diversify with the expanded use of online shopping, we leverage our diverse business portfolio to offer a variety of commerce experiences and capture a wide range of customers. We provide services like *Yahoo! JAPAN Shopping*, which contains many stores with different scales and formats, *ZOZOTOWN*, one of the biggest online fashion shopping sites in Japan, and also *Yahoo! JAPAN Auction* and *Yahoo! JAPAN Flea Market*, which serve the used goods market.

A diverse lineup of commerce services

Reuse
Secondary distribution
YAHOO! JAPAN オークション Auction
YAHOO! JAPAN フリマ Flea market

Mall-type e-commerce
Wide selection of products
YAHOO! JAPAN ショッピング Shopping

Category-specific
E-commerce
ASKUL
ZOZO
LOHACO

Service e-commerce
Travel and restaurant bookings
休.com
YAHOO! JAPAN トラベル Travel
PayPay グルメ

Others
Social gifting and quick commerce
LINE GIFT
LINEブランドカタログ
クイックマート

Financial Segment

We provide cashless payment services such as QR and barcode payments and credit card services, as well as smartphone-based securities services mainly for our individual customers. In addition, we provide payment processing services offering one-stop payment solutions for diversified payment methods including credit cards, electronic money, and QR codes mainly for our enterprise customers.

Cashless payment service

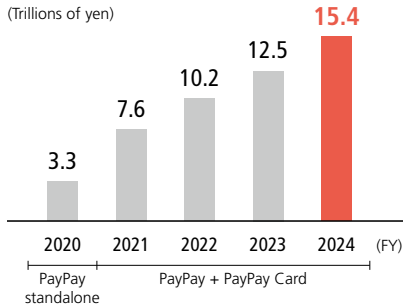
PayPay　PayPay カード Card

PayPay has more than 68 million registered users*1 and is one of the largest cashless payment services in Japan, accounting for approximately 64%*2 of the QR and barcode payment market of Japan in terms of total transaction value in 2024.

In addition, PayPay's wholly owned subsidiary, PayPay Card Corporation, offers a credit card service integrated with *PayPay*.

*1 Number of users who have registered for an account (as of March 31, 2025)
*2 Calculated by SoftBank Corp. based on "Survey on Code Payment Usage Trends, March 14, 2025," published by Payments Japan Association
*3 Based on the definition prior to PayPay Bank Corporation becoming a subsidiary in April 2025

PayPay consolidated (GMV)*3

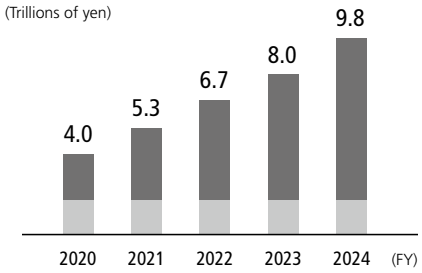


Payment processing services

SB Payment Service

SB Payment Service Corp. provides payment services to a wide range of e-commerce businesses, both inside and outside of the Group.

Gross merchandise value (GMV)



Securities and banking services

PayPay 銀行*4 Bank

PayPay Bank Corporation (formerly Japan Net Bank), founded as Japan's first Internet-only bank, is expanding its number of accounts and deposit balance through collaboration with *PayPay*. *PayPay Bank*'s services are available on the *PayPay* app.

PayPay 証券 Securities

PayPay Securities Corporation offers services such as the *PayPay Securities app*, which allows users to purchase stocks, investment trusts, and ETFs from ¥1,000, and *PayPay Invest*, a mini app within *PayPay*, that enables securities trading.

*4 With the completion of PayPay Corporation's acquisition of PayPay Bank Corporation as a subsidiary on April 11, 2025, PayPay Bank Corporation has been reclassified from the "Media & EC segment" to the "Financial segment," effective from FY2025.

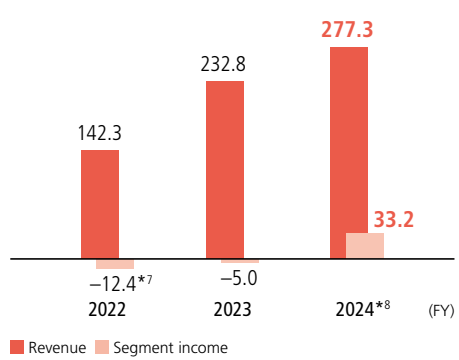
Market environments

According to a survey by Japan's Ministry of Economy, Trade and Industry*5, Japan's cashless payment ratio in 2024 reached 42.8% (¥141.0 trillion). Among the payment methods, QR code payments showed the highest growth rate, with the transaction value increasing by 24.1% year on year. Furthermore, credit cards, which account for the largest share of cashless payments, also continued to see double-digit growth, with the transaction value increasing 10.6% year on year, placing both PayPay and PayPay Card in a high-growth market. As Japan's Ministry of Economy, Trade and Industry has set a future goal of raising this ratio to 80%, one of the world's highest levels, the cashless payment market in Japan is expected to continue to expand.

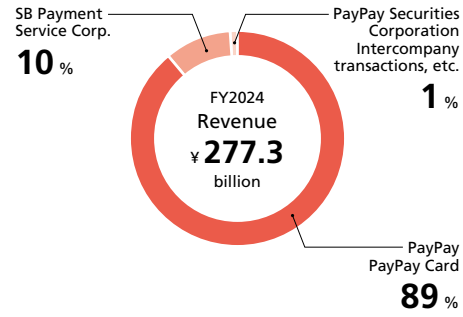
FY2024 performance

In FY2024, the Financial segment's revenue was ¥277.3 billion (up 19.1% year on year), and segment income was ¥33.2 billion (an improvement of ¥38.2 billion year on year). This was mainly due to an increase in revenue driven by the expansion of PayPay's consolidated gross merchandise value (GMV) and cost reductions from more efficient sales promotion measures. In addition, PayPay*6 achieved operating profitability of over ¥30.0 billion in FY2024.

Revenue and segment income



Revenue composition



*5 Japan's Ministry of Economy, Trade and Industry News Release, "2024 Ratio of Cashless Payment Among the Total Amount Paid by Consumers Calculated" (March 31, 2025)
*6 PayPay Corporation, PayPay Card Corporation, Credit Engine, Inc.
*7 Following the consolidation of PayPay Corporation as a subsidiary effective October 1, 2022, its financial results have been included from the third quarter of FY2022.
*8 The figures for FY2024 are before retrospective adjustments of PayPay Bank Corporation.

Value creation process

Inputs

(End of FY2024)

- *PayPay* registered users: **68.38** million*1
- Active *PayPay Card* cardholders: **13.81** million

Outputs

(Main services and products)

- Cashless payment service (*PayPay*)
- Credit card (*PayPay Card*)
- Payment processing services
- Online banking service
- Online securities brokerage service for smartphones

Outcomes

(FY2024 actual)

- Revenue: ¥ **277.3** billion, segment income: ¥ **33.2** billion
- PayPay consolidated GMV: ¥ **15.4** trillion*2

(Creation of social value)

- Increased convenience through spread of cashless payments

*1 Number of users who have registered for a *PayPay* account
*2 The use of the *Send/Receive* function of *PayPay Balance* between users is not included. Payments via *Alipay* and *LINE Pay*, etc. and payments through *PayPay Credit* are included. Based on the definition prior to PayBank Corporation becoming a subsidiary in April 2025.

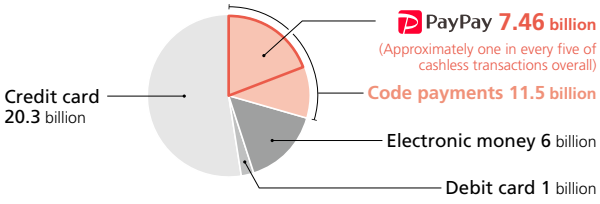
Competitive advantages

1. Overwhelming presence as a payment platform

The number of transactions with *PayPay* exceeded 7.46 billion in 2024, accounting for approximately one in every five of the 38.8 billion total cashless payments in Japan*3. This gives *PayPay* an overwhelming presence as a cashless payment service in the country.

The primary advantage of *PayPay* is its product development capabilities, led by its own talented, multinational engineers from around the globe. By insisting on in-house development, it instantaneously adapts to changes in user needs while also continually enhancing security. In addition, utilizing its strong sales capabilities, it is building a network of merchants broadly throughout Japan. Another unique advantage of *PayPay* is its marketing capabilities to roll out effective marketing tailored to the business phase.

Number of cashless payments in Japan (2024)*3

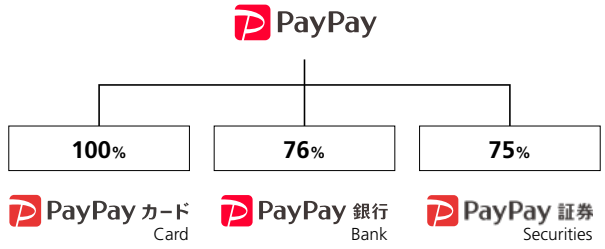


*3 The total number of payments is based on credit card data from the Japan Consumer Credit Association's "Monthly Survey: Credit Card Trends," debit card and electronic money data from the Bank of Japan's "Payment and Settlement Statistics (January 2025)," and QR code payment data from the Payments Japan Association's "Survey on Code Payment Usage Trends (published March 14, 2025)." Calculated by PayPay Corporation. Figures are rounded.

2. Promoting the growth of peripheral financial services by leveraging the strengths of *PayPay* as a payment platform

Since making PayPay Card a wholly owned subsidiary in October 2022, PayPay has accelerated various initiatives, including the promotion of *PayPay Credit*, which enables seamless credit card payments within the *PayPay* app. As a result, the number of active cards issued and credit card transaction value have grown rapidly compared to before the consolidation (P47). In addition, PayPay Securities Corporation is efficiently expanding its user base by offering a mini app within *PayPay*. PayPay completed the acquisition of PayPay Bank Corporation and PayPay Securities Corporation as subsidiaries in April 2025. Going forward, we will work as an integrated group to further enhance our banking and securities services.

PayPay Group capital structure (As of June 30, 2025)

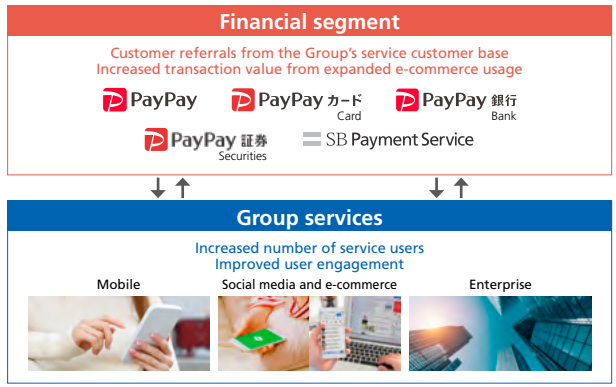


3. Creating synergies through collaboration with Japan's largest services within the Group

The Group has one of Japan's largest collections of B2C platforms, with tens of millions of users in diverse fields such as telecommunications, e-commerce, and social media. The Financial segment collaborates closely with these Group services to create synergies, including customer referrals from the Group's service customer base and an increase in transaction value accompanying the expansion of e-commerce usage. In addition, we are also creating synergies that increase the number of service users and improve user engagement across all Group services.

(Please refer to "Integrated Report 2024," P42, Creation of Group Synergies for details.)

Creating synergies with Group services



Interview with Head of Finance Business Promotion Division, PayPay

With "user-first" as its motto, a key focus for PayPay is to become the undisputed leader in Japan's cashless payment market by providing innovative convenience in payment methods

Hiroki Kawata

Division Head, Finance Business Promotion, Finance Business Group, Corporate Officer, PayPay Corporation
Division head, Business Promotion Division, Business Growth Unit, Executive officer, PayPay Card Corporation

Q: It has been more than two years since PayPay Card became a wholly owned subsidiary of PayPay. What was the intention behind this move?

The intention was to create a fully integrated structure where PayPay and PayPay Card operate as one cohesive unit, thereby developing PayPay Card into a key growth driver of our payment business. At the time of PayPay's establishment, PayPay Card (then YJ Card Corporation) was a wholly owned subsidiary of LY (then Yahoo Japan Corporation). The two companies maintained a cooperative but separate relationship, with each safeguarding its own profits while collaborating where possible. This was, in effect, an "additive" relationship. However, as the *PayPay* brand expanded its share in the cashless payment market, we concluded that integrated management with the credit card business was indispensable for further growth. By making PayPay Card a wholly owned subsidiary, we deepened our relationship into a fully integrated structure. Within this structure, a clear and shared understanding has been formed: "PayPay Card's growth is the growth of the PayPay Group." This has enabled us to shift from an "additive" mindset to a "multiplicative" one, in which we leverage each other's strengths.

To turn this change in mindset into concrete action, we first focused on strengthening the foundation of the card itself. *PayPay Card's* predecessor, *Yahoo! JAPAN Card*, was positioned as a kind of in-house card that was easy to use for e-commerce on *Yahoo! JAPAN*. This meant it lacked many features compared to competitors. Therefore, in addition to my role as PayPay's head of collaboration with PayPay Card, I was also seconded to PayPay Card to serve as the head of business promotion. From that position, I identified the card's challenges and led the improvements for about two years. We have now finally entered the phase of creating services unique to the PayPay Group. However, *PayPay Card's* current market share is still only about 5%. Catching up with and surpassing competitors holding double digit market shares is an urgent task for us. With the policy of making full use of the *PayPay* app for the benefit of *PayPay Card*, we are working as a group to expand our share in the cashless payment market.

Q: *PayPay* has an overwhelming presence in QR code payments. What role does *PayPay Card* play in this?

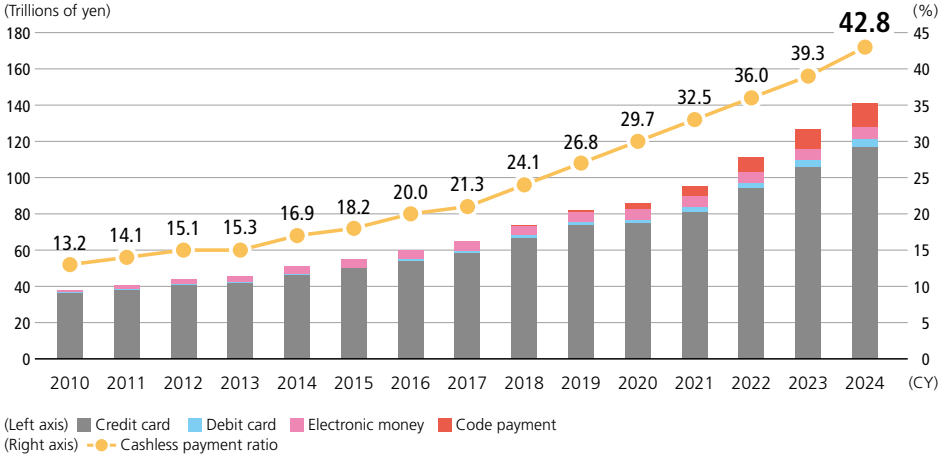
The PayPay Group aims to drive a shift away from cash in the Japanese consumer market and raise the country's cashless payment ratio, which currently stands at 42.8%*[1]. It also seeks to expand *PayPay's* share within that market. While *PayPay* has secured an overwhelming share in code-based payments, the fastest-growing segment, code-based payments still account for only about 10%*[1] of total cashless payments. About 80%*[1] of the market is still credit cards. Therefore, to capture the overall cashless payment market, we believe it is necessary for the PayPay Group to increase its presence in the credit card market and gain a larger "share of wallet" from users. This is where

PayPay Card plays a crucial role: capturing the vast market that the *PayPay* app cannot reach alone.

To fulfill this role, we are focusing on strengthening integration between the *PayPay* app and *PayPay Card*. All of *PayPay Card's* functions are now available on the app, allowing users to check transaction history and complete various procedures seamlessly. This increases the convenience of *PayPay Card* and attracts more users. Additionally, as users visit the app more frequently, their engagement with the *PayPay* app increases, which is expected to drive usage of services other than cards. By creating this virtuous cycle in an integrated manner, we are accelerating the growth of the entire group.

*1 Source: Japan's Ministry of Economy, Trade and Industry, news release, "2024 Ratio of Cashless Payment Among the Total Amount Paid by Consumers Calculated" (March 31, 2025)

Cashless payment amount and cashless payment ratio in Japan



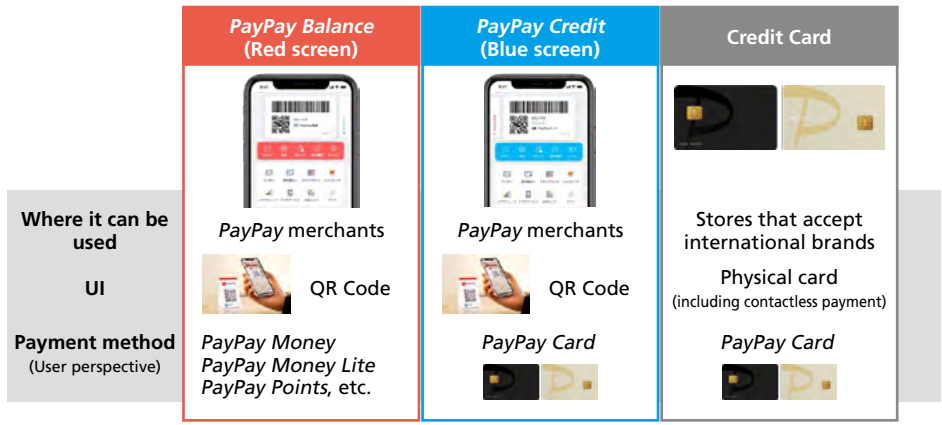
Q: *PayPay* primarily offers three payment methods. What makes them so innovative?

PayPay primarily offers three payment methods: the prepaid "*PayPay Balance* (Red Screen)," which requires pre-charging; the postpaid "*PayPay Credit* (Blue Screen)," which is linked to *PayPay Card* and requires no charging; and a physical card that can be used at merchants accepting international brands. We believe that our ability to meet diverse user needs while providing a consistent user experience through app integration is a unique strength and innovation not found in other companies. The Red Screen and Blue Screen payment methods each have their own characteristics.

The Red Screen has been available since *PayPay's* launch. Users top up their *PayPay Balance* from a bank or other source and make payments within that amount. This method is often used by new *PayPay* users or those accustomed to prepaid payments.

The Blue Screen is designed for frequent *PayPay* users. By linking a *PayPay Card* to the app, users can make card payments via QR code. The total amount used is aggregated with the *PayPay Card* usage and withdrawn from their bank account the following month. This meets the needs of users who want to avoid the hassle of repeated top-ups or prefer to pay in a lump sum the following month, like a credit card. While other companies offer similar systems, a major differentiator is that we can provide the same payment experience with the Blue Screen as we do with the Red Screen. The real innovation of this system is that all payments are completed on a single platform, the *PayPay* app. In the app's "transaction history," users can view payments made with the Red Screen, Blue Screen, and the physical card in a single list. Furthermore, payments made with the physical

***PayPay* payment : three main payment methods**



card generate real-time notifications in the app, making it easy to track spending and immediately detect any unauthorized use, thereby enhancing security. This superior management feature is a significant reason why users find *PayPay Card* more convenient than other credit cards. In April 2025, PayPay Bank Corporation became a subsidiary of PayPay, and we also launched *PayPay Debit*, a new payment method that allows for immediate withdrawals from a PayPay Bank account.

Q: Since the integration with PayPay, PayPay Card's card member base, GMV (Gross Merchandise Value), and revolving credit balance have all been growing steadily. What mechanism is driving this?

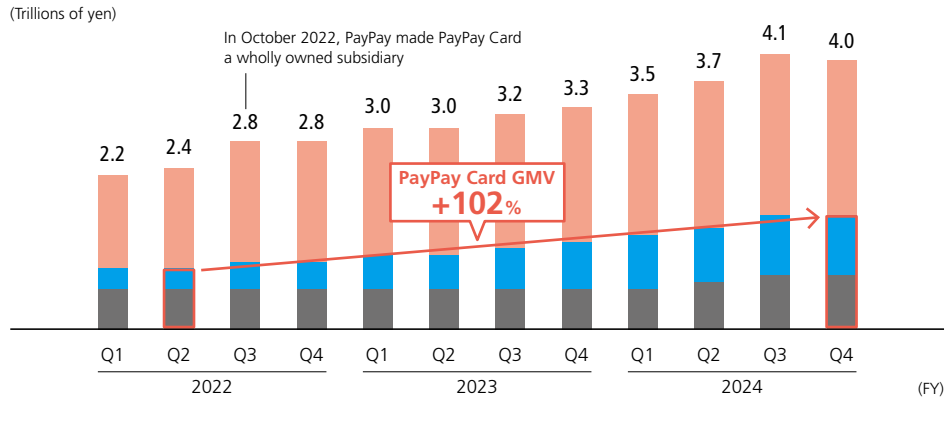
At the core of this growth is the "product-driven" philosophy that has guided PayPay since its founding. Even before the integration, there was already a vision to create a credit card that would be easy for *PayPay* users to use, but this initiative has accelerated since we became a fully integrated structure. The frequency of communication between the two organizations increased, and many ideas have been born from discussions such as "we want to do this" or "we should do it this way," leading to actual implementation. As a result, we are able to provide an excellent experience to our strong user base of over 70 million*2, enabling them to feel that this card is more convenient than any other they currently use.

A concrete example of this convenient experience is the alignment of campaigns and services between *PayPay* and *PayPay Card*. For instance, we introduced the popular *PayPay Scratch-off Lottery* to card payments as well. This was a limited-time promotion where users making a payment with the *PayPay* app could scratch a virtual lottery ticket on the app for a chance to win *PayPay Points* equivalent to 0.5% to 100% of the payment amount. By extending this system to card payments, we created an immediate experience where users can check their history on the app and scratch a virtual lottery ticket right after making a card payment. This is a unique strength that can only be offered because the app and card are integrated. In addition to the enjoyment offered by such campaigns, the exceptional convenience of being able to manage all transaction histories on the app strongly motivates users to consolidate their payment methods to *PayPay*, leading to increased usage frequency and higher transaction values. Furthermore, we have provided special perks in the *PayPay Scratch-off Lottery*, such as increasing the chances of winning points when paying with a *PayPay Card* (Blue Screen or physical card), which encourages more frequent use of higher-value payment methods. These initiatives have been successful in boosting GMV.

The increase in the revolving credit balance itself is not the goal. As GMV that can be paid with revolving credit, such as the Blue Screen and the physical card, has grown, we have provided user-friendly features for those who want to use revolving payments. As a result, the balance has naturally increased.

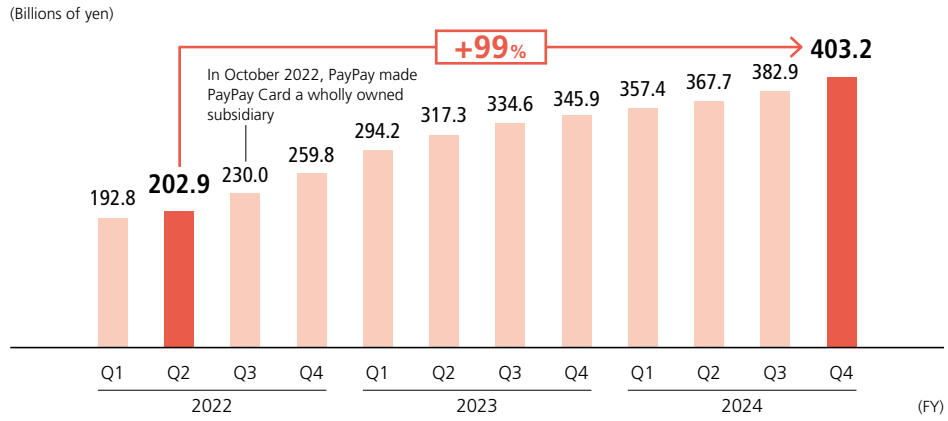
*2 As of July 31, 2025

PayPay consolidated GMV (Gross Merchandise Value)*3



*3 Definition prior to the consolidation of PayPay Bank Corporation as a subsidiary in April 2025

PayPay Card revolving balance



Q: Can you tell us about the synergies with SoftBank and LY?

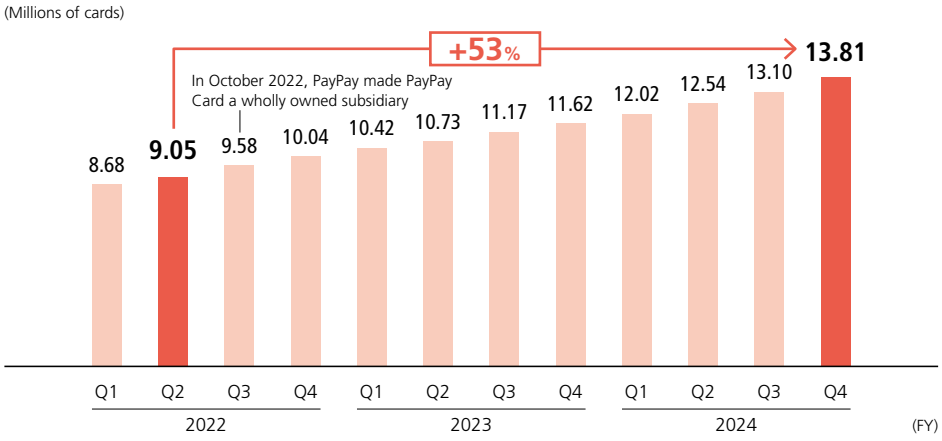
While the largest source of new *PayPay Card* users is the *PayPay* app, the next two major pillars are synergies with SoftBank and LY.

Since PayPay Card was originally a LY Group company, we have had a close relationship in e-commerce, centered on *Yahoo! JAPAN Shopping*. LY has created an environment where "using *PayPay Card* for its e-commerce services is positioned as more convenient and beneficial," which leads to the acquisition of new users every month.

In collaboration with SoftBank, we offer benefits such as *PayPay Card Discount* on mobile service charges and point rewards based on the amount paid. Our goal is to make *PayPay Card* the most attractive card for *SoftBank* users. We promote these initiatives through strong customer touchpoints such as *SoftBank* shops nationwide and online channels, which are major sources of user acquisition.

The core of our Group synergy is to provide value that naturally leads users to choose *PayPay Card* in situations where payments are necessary and a large portion of them are made with a credit card, such as with mobile services and e-commerce.

Number of active PayPay Cards issued



Q: What sets PayPay apart and what are its future aspirations?

What sets us apart is our ability to deliver a truly convenient product and to quickly translate user needs into new features. This is made possible by the PayPay Group's unique organizational structure, which unites experts from both finance and Internet/app development. The combination of these different areas of expertise allows us to quickly create truly valuable services for users while adhering to laws and regulations.

The motto for developing these services is "user-first." What we should offer is not just temporary "benefits," but fundamental "convenience" that leads to continued use. By continuously providing this convenience across all user touchpoints, we will establish ourselves as a service for daily use and build a virtuous cycle of increased usage frequency, higher transaction values, and expanded financial service revenues.