

Results for the Six Months Ended September 30, 2019 (FY2019-2Q) [IFRSs]

November 1, 2019

Company Name: Z Holdings Corporation Share Listings: 1st section of TSE
 Code No.: 4689 URL: <https://www.z-holdings.co.jp/en/>
 Representative: Kentaro Kawabe, President and Representative Director Tel: 03-6779-4900
 Contact: Ryosuke Sakaue, Managing Corporate Officer, CFO

Scheduled Securities Report Submission Date: November 14, 2019

Scheduled Dividend Payment Date: -

Fiscal Results Supplementary Briefing Materials to Be Created: Yes

Fiscal Results Investors Meeting to Be Held: Yes (for Financial Analysts)

(Amounts less than one million yen are omitted)

1. Consolidated Results for FY2019-2Q (April 1, 2019 - September 30, 2019)

(1) Consolidated Business Performance (April 1, 2019 - September 30, 2019) (Figures in parenthesis are % change YoY)

	Revenue	Operating income	Income before income taxes	Net income	Net income attributable to owners of the parent	Total comprehensive income
	Millions of yen (%)	Millions of yen (%)	Millions of yen (%)	Millions of yen (%)	Millions of yen (%)	Millions of yen (%)
FY2019-2Q	484,145 (4.1)	75,661 (-9.0)	75,586 (-9.4)	52,593 (-5.1)	51,177 (-7.2)	51,832 (-16.4)
FY2018-2Q	465,018 (8.6)	83,112 (-12.5)	83,386 (-18.0)	55,442 (-19.3)	55,147 (-18.5)	62,034 (-10.8)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY2019-2Q	10.41	10.41
FY2018-2Q	9.86	9.86

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent
	Millions of yen	Millions of yen	Millions of yen	%
FY2019-2Q	2,795,895	840,271	749,171	26.8
FY2018	2,429,601	910,523	818,291	33.7

2. Dividends

(Record date)	Dividends per share				
	1Q	2Q	3Q	Year end	Full year
	Yen	Yen	Yen	Yen	Yen
FY2018	—	0.00	—	8.86	8.86
FY2019	—	0.00	—	8.86	8.86
FY2019 (Estimates)	—	0.00	—	8.86	8.86

Revision in dividends previously announced: None

3. Consolidated Performance Estimates for FY2019 (April 1, 2019 – March 31, 2020)

	Revenue		Operating income		Net income attributable to owners of the parent		Basic earnings per share	
	Millions of yen	(%)	Millions of yen	(%)	Millions of yen	(%)	Yen	(%)
FY2019	1,000,000 - 1,020,000	4.7 - 6.8	140,600 - 150,000	0.1 - 6.7	79,000 - 85,000	0.4 - 7.6	14.80 - 15.92	0.4 - 7.6

Revision in performance estimates previously announced: None

For details, please refer to 3. Outlook for Fiscal 2019 (April 1, 2019 – March 31, 2020) in (1) Qualitative Information regarding the Consolidated Business Performance of 1 Qualitative Information regarding the Consolidated Operating Results on page 4 of the Results for the Six Months (Attachments).

* Notes

(1) Changes in significant subsidiaries during the period (changes in significant subsidiaries causing changes in scope of consolidation): None

(2) Changes in the accounting principles, procedures and presentation methods

1) Changes due to IFRSs: Yes

2) Changes other than 1): None

3) Changes in accounting estimate: None

Note: For details, please refer to 2. Significant accounting policies in (6) Notes to Interim Condensed Consolidated Financial Statements of 2 Interim Condensed Consolidated Financial Statements and Significant Notes on page 15 of the Results for the Six Months Ended September 30, 2019 (Attachments).

(3) Number of stocks issued (common stock)

1) Number of stocks issued at year end (including treasury stocks)

2) Number of treasury stocks at year end

3) Average number of stocks

FY2019-2Q	4,822,417,565	FY2018	5,151,629,615
FY2019-2Q	60,021,000	FY2018	67,879,000
FY2019-2Q	4,915,007,896	FY2018-2Q	5,590,887,755

* The Results for the Six Months are not subject to the quarterly review by certified public accountants or audit corporations.

* Explanation of the proper use of performance estimates, and other special notes

- The performance estimates, etc., and other forward-looking statements contained in this document are based on the information currently available to the Company and premised on assumptions that have been deemed reasonable by management. For a variety of reasons, actual performance estimates, etc., could differ significantly.

- The Company transitioned to a holding company structure on October 1, 2019 and changed its trade name to Z Holdings Corporation. In addition, effective the same date, Kioicho Bunkatstujunbi Kabushiki Kaisha, a subsidiary of the Company, succeeded Yahoo! JAPAN business in the method of an absorption-type company split and changed its trade name to Yahoo Japan Corporation (unlisted). For details, please refer to our timely disclosure (Establishment of Split Preparation Companies, Execution of an Agreement Regarding Absorption-type Company Split, and Amendment to the Articles of Incorporation (Change in Trade Name) pursuant to Transition to a Holding Company Structure through a Company Split) disclosed on April 25, 2019.

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1 Qualitative Information regarding the Consolidated Operating Results

(1) Qualitative Information regarding the Consolidated Business Performance

1. Business Results Summary (April 1, 2019 to September 30, 2019)

	FY2018 2Q	FY2019 2Q	Year-on-Year Change (Amount)	Year-on-Year Change (%)
Revenue	¥465.0 billion	¥484.1 billion	+¥19.1 billion	+4.1%
Operating Income	¥83.1 billion	¥75.6 billion	-¥7.4 billion	-9.0%
Income before income taxes	¥83.3 billion	¥75.5 billion	-¥7.7 billion	-9.4%
Net Income attributable to owners of the parent	¥55.1 billion	¥51.1 billion	-¥3.9 billion	-7.2%

The revenue for the consolidated second quarter of the fiscal year ending March 31, 2020 amounted to ¥484.1 billion, an increase of ¥19.1 billion (+4.1%) compared with the same period last year. This was due to the increase mainly in advertising revenue and the revenues of ASKUL Group as well as Ikyu Corporation.

Despite the increase in revenue, operating income decreased year on year. The decrease was due to increase in depreciation and amortization, sales promotion costs and personnel expenses, etc., as well as gain on sales of IDC Frontier Inc. in the same quarter last year as a one-time factor.

Despite recognition of gain on change in equity interest of PayPay Corporation of ¥10.8 billion, income before income taxes and net income attributable to owners of the parent decreased year on year, mainly because of decrease in operating income as well as recognition of loss on equity method investments of ¥10.3 billion as a result of active investment in PayPay launched in October last year.

2. Segment Business Results Summary (April 1, 2019 – September 30, 2019)

Revenue and Operating Income by Segment

	FY2018 2Q	FY2019 2Q	Year-on-Year Change (Amount)	Year-on-Year Change (%)
Commerce Business				
Revenue	¥316.3 billion	¥335.4 billion	+¥19.1 billion	+6.1%
Operating income	¥31.1 billion	¥35.6 billion	+¥4.5 billion	+14.5%
Media Business				
Revenue	¥147.3 billion	¥147.7 billion	+¥0.4 billion	+0.3%
Operating income	¥72.0 billion	¥72.0 billion	+¥0.01 billion	+0.0%
Others				
Revenue	¥5.2 billion	¥4.0 billion	-¥1.2 billion	-22.8%
Operating income/ loss	¥9.5 billion	-¥0.2 billion	-¥9.7 billion	—
Adjustments				
Revenue	-¥3.8 billion	-¥3.1 billion	—	—
Operating income	-¥29.6 billion	-¥31.8 billion	—	—
Total				
Revenue	¥465.0 billion	¥484.1 billion	+¥19.1 billion	+4.1%
Operating income	¥83.1 billion	¥75.6 billion	-¥7.4 billion	-9.0%

Notes: Adjustments figures represent inter-segment transactions and general corporate expenses not belonging to any reporting segment.

Reporting Segment

	Main business areas
Commerce Business	<ul style="list-style-type: none"> • YAHUOKU!, Yahoo! Shopping, ASKUL Corporation, and other commerce-related services • Yahoo! Premium, and other membership services • Credit card and other financial and payment-related services
Media Business	<ul style="list-style-type: none"> • Paid search, Display and other advertising-related services

Main types of advertising

Advertising products		Main Format	Fee Calculation	Placement Pages	Main Advertiser Base	
Paid Search Advertising	Sponsored Search®		Text	Search results pages	Major corporations Small and medium-sized companies	
Display Advertising	YDN and others	Yahoo! Display Ad Network (YDN) *1	Text Banner	Top page *1		Per-click rate (Performance-based) *2
			Video		Per-view rate (Performance-based) *2	
		Yahoo! Premium DSP	Banner	Interior pages of service sites *1	Per-impression page view rate (Performance-based) *2	
	Brand Panel, Prime Display, etc.	Rich ad (Including video) Banner	Per-impression page view rate (Guarantee-based) *3			
	Premium Advertising	Banner Text ads Others	Text Banner	Yahoo! Shopping	Per-guaranteed period rate, etc. (Guarantee-based) *3	Stores in Yahoo! Shopping
					PR Option	

(*1) Includes In-feed Advertising on timeline view pages

(*2) Advertising that is programmatically or manually managed on a real-time basis to optimize advertising effects

(*3) Advertising for which specific placement is reserved in advance

1) Commerce Business in the Cumulative Consolidated Second Quarter

Revenue of the Commerce Business rose from the same period last year, due to increase in revenues of the ASKUL Group and Ikyu Corporation and the advertising revenue from Yahoo! Shopping (*1). In addition, EC transaction value (sale of goods) (*2) amounted to ¥958.0 billion, increasing 7.1% year on year.

As a result, revenue of the Commerce Business of the cumulative consolidated second quarter amounted to ¥335.4 billion, increasing 6.1% year on year and accounting for 69.3% of total revenue. Operating income increased 14.5% year on year, to ¥35.6 billion.

*1 Total of the Company's Shopping-related advertising revenue; advertising revenue of "StoreMatch", an advertising product in Yahoo! Shopping sold by ValueCommerce Co., Ltd. to stores in Yahoo! Shopping, etc.; and revenues of paid search advertising and YDN, etc., placed by stores in Yahoo! Shopping. Revenues of paid search advertising and YDN, etc., placed by stores in Yahoo! Shopping are recorded in the advertising revenue of the Media Business segment.

*2 Includes transaction value of YAHUOKU! including Yahoo! Government Auctions, shopping transaction value, other sales of goods transaction value and ASKUL's BtoB-related revenue via the Internet (closing date: 20th of every month) from 2Q of FY2015 (one month in 2Q).

2) Media Business in the Cumulative Consolidated Second Quarter

As Premium Advertising revenue increased year on year chiefly due to the effect of sales measures, total advertising revenue grew year on year.

As a result, revenue of the Media Business of the cumulative consolidated second quarter amounted to ¥147.7 billion, rising 0.3% year on year, and accounted for 30.5% of total revenue. Operating income increased 0.0% year on year, to ¥72.0 billion.

3. Outlook for Fiscal 2019 (April 1, 2019 – March 31, 2020)

Year-on-year growth is expected in revenues of Commerce Business and Media Business. Thus, the Group expects a year-on-year increase in its revenue for fiscal 2019.

(2) Qualitative Information regarding the Consolidated Financial Position

1. Assets, Liabilities and Equity

1) Assets

Total assets at the end of this second quarter amounted to ¥2,795,895 million, increasing ¥366,294 million, or 15.1% from the end of fiscal 2018. The main components of change were the following:

- The principal reasons for the change in cash and cash equivalents are noted in “Cash Flows” below.
- Loans for credit card business increased from the end of fiscal 2018, mainly due to the increase in the transaction value of the Credit Card business.
- Other financial assets increased from the end of fiscal 2018, attributed primarily to increase in deposits in the central clearing house.
- Right-of-use assets were newly recognized due to the adoption of IFRS 16, Leases.

2) Liabilities

Total liabilities at the end of this second quarter were ¥1,955,624 million, increasing ¥436,546 million, or 28.7%, from the end of fiscal 2018. The major components of change were the following:

- Deposits for banking business increased from the end of fiscal 2018 due to the increase of deposits from customers.
- Interest-bearing debt increased from the end of fiscal 2018 chiefly due to issuance of bonds, the increase in borrowings and the adoption of IFRS 16, Leases.

3) Equity

Total equity at the end of this second quarter amounted to ¥840,271 million, decreasing ¥70,252 million, or 7.7%, from the end of fiscal 2018. The primary reasons for change in equity were as follows:

- Common stock and capital surplus increased from the end of fiscal 2018 because of issuance of new shares.
- Retained earnings decreased from the end of fiscal 2018 because of cancellation of treasury stock and payment of dividends despite the recognition of profit for the period attributable to owners of the parent.

2. Cash Flows

At the end of this second quarter, cash and cash equivalents amounted to ¥743,350 million, up ¥196,566 million from the end of fiscal 2018, out of which deposit with the Bank of Japan for banking business was ¥266,687 million.

The following are the movements in the main components of cash flow and the factors contributing to the changes for the period under review:

Cash flows from operating activities amounted to a cash inflow of ¥46,582 million mainly because of the recognition of profit before tax despite the payment of income taxes.

Cash flows from investing activities amounted to a cash outflow of ¥40,170 million, chiefly due to the acquisitions of property and equipment and intangible assets.

Cash flows from financing activities amounted to a cash inflow of ¥190,539 million, attributed mainly to the issuance of new shares and bonds despite the expenditures on purchase of treasury stock.

(3) Significant Contracts

The following are the significant contracts for the Yahoo Japan Group.

1) License agreement with Oath Holdings Inc.

Contract name	YAHOO JAPAN LICENSE AGREEMENT
Contract date	April 1, 1996
Contract term	From April 1, 1996; termination date unspecified Note: The license agreement may be terminated under the following conditions: (i) mutual decision by the companies to terminate the agreement; (ii) cancellation of the agreement following bankruptcy or loan default by one of the companies; (iii) purchase of one-third or more of the outstanding shares of Yahoo Japan Corporation by a competitor of Oath Holdings Inc.; or (iv) merger or acquisition of Yahoo Japan Corporation rendering shareholders of Yahoo Japan Corporation before such merger or acquisition incapable of maintaining over 50% of shareholder voting rights of Yahoo Japan Corporation (may be waived by agreement of Oath Holdings Inc.).
Counterparty	Oath Holdings Inc.
Main details	<p>1) Licensing rights granted by Oath Holdings Inc. to Yahoo Japan Corporation:</p> <ul style="list-style-type: none">• Non-exclusive rights granted to Yahoo Japan Corporation for reproduction and use of Oath Holdings Inc.'s Internet search and other services customized and localized for the Japanese market (hereinafter referred to as the Japanese version of the Yahoo! search services)• Non-exclusive rights granted to Yahoo Japan Corporation for use in Japan of the trademark, etc., of Oath Holdings Inc.• Exclusive rights granted to Yahoo Japan Corporation for publishing of the trademark, etc., of Oath Holdings Inc. in Japan• Exclusive rights granted to Yahoo Japan Corporation worldwide for development, commercial use, and promotion of the Japanese version of the Yahoo! search services <p>2) Non-exclusive rights granted (gratis) to Oath Holdings Inc. worldwide for use of Japanese content added by Yahoo Japan Corporation</p> <p>3) Royalties to be paid by Yahoo Japan Corporation to Oath Holdings Inc. (see Note, below) Note: Initially, royalties were calculated as 3% of gross profit less sales commissions. Effective January 2005, the calculation method for determining royalties was revised, as follows:</p> <p>Royalty calculation method {(Revenue) - (Advertising sales commissions on a consolidated basis) - (Cost of sales of consolidated subsidiaries with a different gross margin structure and others)} x 3%</p>

2) Business alliance contract with Google Asia Pacific Pte Ltd.

Contract name	GOOGLE SERVICES AGREEMENT
Contract date	October 21, 2014
Contract term end	March 31, 2021
Counterparty	Google Asia Pacific Pte Ltd.
Main details	<p>1) Non-exclusive provision of search and paid search advertising distribution technologies by counterparty The counterparty shall provide its search and paid search advertising distribution technologies to Yahoo Japan Corporation on a non-exclusive basis, which will be used by Yahoo Japan Corporation to offer its own brand of services.</p> <p>2) Differentiation of search services Both parties are entitled to freely develop and use additional functions for the search results in order to differentiate their search results. Yahoo Japan Corporation may decide on its own whether to display the search results provided by the counterparty.</p> <p>3) Payment for counterparty's services The consideration for the counterparty's services shall be the sum of (1) an amount calculated using a method determined on an annual basis based on the revenue of the website of Yahoo Japan Corporation and (2) an amount calculated using the standard for excess amounts on any revenue of the website of Yahoo Japan Corporation in excess of a specific amount during the specified period. The consideration for the services used by Yahoo Japan Corporation on a partner site shall be the amount calculated by multiplying the revenue derived from the partner site by a rate determined on an annual basis.</p>

2 Interim Condensed Consolidated Financial Statements and Significant Notes

(1) Interim Condensed Consolidated Statement of Financial Position

(Millions of yen)

	As of Mar. 31, 2019	As of Sept. 30, 2019	Increase/decrease	
	Amount	Amount	Amount	Change (%)
Assets				
Cash and cash equivalents	546,784	743,350	196,566	35.9
Call loans for banking business	20,000	15,000	-5,000	-25.0
Trade and other receivables	328,281	324,851	-3,429	-1.0
Inventories	18,306	19,006	700	3.8
Loans for credit card business	253,340	296,530	43,190	17.0
Investment securities for banking business	419,551	405,750	-13,800	-3.3
Loans for banking business	80,942	84,850	3,907	4.8
Other financial assets	191,260	240,782	49,522	25.9
Property and equipment	133,867	124,893	-8,974	-6.7
Right-of-use assets	—	80,177	80,177	—
Goodwill	175,301	177,868	2,566	1.5
Intangible assets	165,293	179,601	14,308	8.7
Investments accounted for using the equity method	24,510	24,417	-93	-0.4
Deferred tax assets	34,551	34,471	-79	-0.2
Other assets	37,609	44,342	6,732	17.9
Total assets	2,429,601	2,795,895	366,294	15.1

(Millions of yen)

	As of Mar. 31, 2019	As of Sept. 30, 2019	Increase/decrease	
	Amount	Amount	Amount	Change (%)
Liabilities and equity				
Liabilities				
Trade and other payables	394,545	399,370	4,824	1.2
Deposits for banking business	768,613	820,018	51,404	6.7
Interest-bearing liabilities	215,212	610,222	395,009	183.5
Other financial liabilities	8,683	8,443	-240	-2.8
Income taxes payable	24,138	21,857	-2,281	-9.5
Provisions	30,360	27,478	-2,882	-9.5
Deferred tax liabilities	20,403	18,057	-2,345	-11.5
Other liabilities	57,118	50,176	-6,941	-12.2
Total liabilities	1,519,077	1,955,624	436,546	28.7
Equity				
Equity attributable to owners of the parent				
Common stock	8,939	237,404	228,464	—
Capital surplus	-12,545	213,957	226,502	—
Retained earnings	832,147	302,380	-529,766	-63.7
Treasury stock	-24,440	-17,382	7,058	—
Accumulated other comprehensive income	14,190	12,812	-1,378	-9.7
Total equity attributable to owners of the parent	818,291	749,171	-69,119	-8.4
Non-controlling interests	92,231	91,099	-1,132	-1.2
Total equity	910,523	840,271	-70,252	-7.7
Total liabilities and equity	2,429,601	2,795,895	366,294	15.1

(2) Interim Condensed Consolidated Statement of Profit or Loss

(Millions of yen)

	Six months ended Sept. 30, 2018	Six months ended Sept. 30, 2019	Increase/decrease	
	Amount	Amount	Amount	Change (%)
Revenue	465,018	484,145	19,126	4.1
Cost of sales	200,243	205,253	5,009	2.5
Selling, general and administrative expenses	189,640	203,230	13,590	7.2
Gain on sales of subsidiary's stocks	7,977	—	-7,977	—
Operating income	83,112	75,661	-7,450	-9.0
Other non-operating income	1,595	11,596	10,001	626.7
Other non-operating expenses	355	735	380	106.9
Equity in earnings of associates and joint venture	-966	-10,935	-9,969	—
Profit before tax	83,386	75,586	-7,799	-9.4
Income tax expense	27,943	22,992	-4,951	-17.7
Profit for the period	55,442	52,593	-2,848	-5.1
Attributable to:				
Owners of the parent	55,147	51,177	-3,969	-7.2
Non-controlling interests	294	1,416	1,121	380.7
Profit for the period	55,442	52,593	-2,848	-5.1
Earnings per share attributable to owners of the parent				
Basic (yen)	9.86	10.41	0.55	5.6
Diluted (yen)	9.86	10.41	0.55	5.6

(3) Interim Condensed Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six months ended Sept. 30, 2018	Six months ended Sept. 30, 2019
Profit for the period	55,442	52,593
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Equity financial assets measured at FVTOCI	5,585	-720
Subtotal	5,585	-720
Items that may be reclassified subsequently to profit or loss		
Debt financial assets measured at FVTOCI	-491	703
Exchange differences on translating foreign operations	1,504	-746
Share of other comprehensive income of associates	-6	0
Subtotal	1,006	-41
Other comprehensive income, net of tax	6,591	-761
Total comprehensive income	62,034	51,832
Total comprehensive income attributable to:		
Owners of the parent	62,075	50,046
Non-controlling interests	-41	1,785
Total comprehensive income	62,034	51,832

(4) Interim Condensed Consolidated Statement of Changes in Equity

Six months ended September 30, 2018

(Millions of yen)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income	Total		
Balance at April 1, 2018	8,737	-4,602	993,894	-1,316	16,655	1,013,368	108,518	1,121,887
Accumulated impact by the application of new accounting standards (*)			-205		167	-38	-20	-59
Balance at April 1, 2018 (corrected)	8,737	-4,602	993,688	-1,316	16,822	1,013,330	108,497	1,121,827
Profit for the period			55,147			55,147	294	55,442
Other comprehensive income, net of tax					6,927	6,927	-336	6,591
Total comprehensive income for the period	—	—	55,147	—	6,927	62,075	-41	62,034
Transactions with owners and other transactions								
Issue of common stock	193	193				386		386
Payment of dividends			-50,449			-50,449	-1,027	-51,476
Transfer from accumulated other comprehensive income to retained earnings			4,711		-4,711	—		—
Purchase of treasury stock				-220,704		-220,704		-220,704
Cancellation of treasury stock			-197,579	197,579		—		—
Changes attributable to obtaining or losing control of subsidiaries						—	1,693	1,693
Changes in ownership interests in subsidiaries without losing control		-8,029				-8,029	-16,437	-24,466
Others		-7				-7	-0	-7
Total	193	-7,843	-243,317	-23,124	-4,711	-278,803	-15,771	-294,575
Balance at September 30, 2018	8,930	-12,446	805,518	-24,440	19,039	796,601	92,685	889,286

(*) Accompanying adoption of IFRS 9, Financial Instruments, accumulated impact of retroactive correction is recognized by correcting the beginning balance of retained earnings and accumulated other comprehensive income.

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income	Total		
Balance at April 1, 2019	8,939	-12,545	832,147	-24,440	14,190	818,291	92,231	910,523
Accumulated impact by the application of new accounting standards (*)			-2,466			-2,466	-2,997	-5,463
Balance at April 1, 2019 (corrected)	8,939	-12,545	829,681	-24,440	14,190	815,825	89,234	905,060
Profit for the period			51,177			51,177	1,416	52,593
Other comprehensive income, net of tax					-1,131	-1,131	369	-761
Total comprehensive income for the period	—	—	51,177	—	-1,131	50,046	1,785	51,832
Transactions with owners and other transactions								
Issue of common stock	228,464	227,071				455,536		455,536
Payment of dividends			-45,042			-45,042	-1,028	-46,070
Transfer from accumulated other comprehensive income to retained earnings			247		-247	—		—
Purchase of treasury stock				-526,625		-526,625		-526,625
Cancellation of treasury stock			-533,684	533,684		—		—
Changes attributable to obtaining or losing control of subsidiaries						—	630	630
Changes in ownership interests in subsidiaries without losing control		-407				-407	540	132
Others		-161				-161	-63	-224
Total	228,464	226,502	-578,478	7,058	-247	-116,700	79	-116,620
Balance at September 30, 2019	237,404	213,957	302,380	-17,382	12,812	749,171	91,099	840,271

(*) Accompanying adoption of IFRS 16, Leases, accumulated impact of retroactive correction is recognized by correcting the beginning balance of retained earnings.

(5) Interim Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended Sept. 30, 2018	Six months ended Sept. 30, 2019
	Amount	Amount
Cash flows from operating activities:		
Profit before tax	83,386	75,586
Depreciation and amortization	25,175	36,266
Equity in earnings of associates and joint venture	966	10,935
Decrease in call loans for banking business	41,863	5,000
Decrease (increase) in trade and other receivables	-27,670	840
Increase in trade and other payables	11,098	8,944
Increase in loans for credit card business	-18,285	-43,190
Increase in loans for banking business	-2,794	-4,003
Increase in deposits for banking business	31,874	51,404
Others	-49,681	-70,381
Subtotal	95,930	71,403
Income taxes—paid	-28,093	-24,820
Net cash generated by operating activities	67,837	46,582
Cash flows from investing activities:		
Purchase of investment securities for banking business	-156,593	-121,523
Proceeds from sales/redemption of investment securities for banking business	103,118	138,394
Purchase of property and equipment	-24,159	-20,300
Purchase of intangible assets	-23,155	-27,548
Others	-263	-9,192
Net cash used in investing activities	-101,053	-40,170
Cash flows from financing activities:		
Net increase in short-term borrowings	51,230	88,700
Proceeds from issuance of shares	378	454,469
Purchase of treasury stock	-220,168	-526,695
Proceeds from issuance of bonds	—	229,217
Dividends paid	-50,453	-45,019
Repayment of lease liabilities	—	-10,631
Others	-16,869	499
Net cash generated by (used in) financing activities	-235,882	190,539
Effects of exchange rate changes on cash and cash equivalents	859	-385
Effects on cash and cash equivalents arising from transfer to assets classified as held for sale	3,484	—
Net increase (decrease) in cash and cash equivalents	-264,754	196,566
Cash and cash equivalents at the beginning of the periods	868,325	546,784
Cash and cash equivalents at the end of the periods	603,570	743,350

(6) Notes to Interim Condensed Consolidated Financial Statements

1. Going Concern Assumption

Not applicable.

2. Significant accounting policies

The significant accounting policies applied by the Yahoo Japan Group in preparing the statements are the same as those applied to Consolidated Financial Statements for the previous fiscal year, except for the following:

(Changes in the significant accounting policies)

From the consolidated first quarter of fiscal 2019, the Yahoo Japan Group applies the following standards and interpretations:

Standard books	Standard names	Summary of new/amended provisions
IFRS 16	Leases	Accounting treatment regarding leases and disclosure requirement

1) Adoption of IFRS 16, Leases

The Yahoo Japan Group observes the transitional measures for IFRS 16, Leases (hereinafter referred to as IFRS 16) and has made retroactive correction by means of applying them on the adoption start date (April 1, 2019) and recognizing accumulated impact of such application by correcting the beginning balance of retained earnings on the adoption start date. For this reason, the Interim Condensed Consolidated Financial Statements for the previous cumulative consolidated second quarter and the Interim Condensed Consolidated Statement of Financial Position at the end of the previous consolidated fiscal year as comparative information are not restated.

IFRS 16 requires a lessee's lease not to be classified as either a finance lease or an operating lease, but requires a single lessee accounting model to be introduced. In general, it also requires a lessee to recognize, for all leases, a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. In addition, while a lease payment related to an operating lease is recognized as a rental expense in IAS 17, Leases (hereinafter referred to as IAS 17), it is recognized as depreciation of the right-of-use asset and interest on the lease liability in IFRS 16.

The Yahoo Japan Group has adopted a practical expedient in which it is not required to review whether an agreement is or includes a lease in adopting IFRS 16. Because of this, IFRS 16 is applied to agreements that have been identified as leases up to now, and is not applied to agreements that have not been identified as leases by means of applying IAS 17 and IFRIC 4, Determining Whether an Arrangement Contains a Lease. Consequently, identification of a lease based on IFRS 16 is only applied to any agreement entered into or revised on or after the adoption start date.

In addition to the above, the Group has adopted the following practical expedients among those in the transitional measures. Application of these practical expedients is determined for each lease:

- Allowing a lessee to rely on an appraisal to determine whether an agreement is onerous according to IAS 37, Provisions, Contingent Liabilities and Contingent Assets on the adoption start date, instead of performing an impairment review of the right-of-use asset
- Allowing a lessee to exclude initial direct costs from measurement of right-of-use assets as of the adoption start date
- Where an agreement includes an option to extend or terminate a lease, allowing a lessee to use after-the-fact determination when the lessee assesses a lease term

As a result of the transition to IFRS 16, as of the adoption start date, mainly right-of-use assets and lease liabilities included in interest-bearing debt, increased by ¥85,654 million and ¥89,588 million, respectively, and accrued expenses included in other liabilities decreased by ¥3,205 million. In addition, while the Group recognized right-of-use assets on the adoption start date with regard to part of the lease agreements, it booked impairment loss because recoverable amount fell below the carrying amount of the cash-generating unit including right-of-use assets and thus accumulated impairment loss and deferred tax asset increased by ¥7,735 million and ¥2,368 million, respectively.

As a result, retained earnings and non-controlling interests decreased by ¥2,466 million and ¥2,997 million, respectively.

Right-of-use assets are measured in one of the following methods:

- Measured amount of lease liabilities adjusted using prepaid and accrued lease payments
- Carrying amount calculated as if IFRS 16 had been adopted since the start of lease

Lease liabilities are measured as the present value for which lease payments unpaid as of the adoption start date are discounted using the lessee's incremental borrowing rate for the Group on that date. The weighted average of the lessee's incremental borrowing rate applied to the lease liabilities is 0.1%. The following table shows adjustments between the amount discounted using the lessee's incremental borrowing rate on the adoption start date with regard to the discount on future minimum lease payments under operating leases that we disclosed by adopting IAS 17 at the end of the previous fiscal year and the amount of lease liabilities recognized on the Consolidated Statement of Financial Position on the adoption start date.

	(millions of yen)
Undiscounted future minimum lease payments under operating leases as of March 31, 2019	105,694
Discount on future minimum lease payments under operating leases described above	-3,056
Discounted future minimum lease payments under operating leases on April 1, 2019	102,637
Leases classified as finance leases	14,595
Adjustments due to the reassessment of lease terms	5,580
Adjustments related to agreements before start of leases	-27,875
Adjustments due to other factors	-5,350
Lease liabilities on April 1, 2019	89,588

2) Significant accounting policies that have changed by adopting new standards and interpretations

The Group determines at the start of an agreement whether it is a lease agreement or if it includes any lease. On the start date or revaluation date of an agreement that includes any lease, the consideration of an agreement is allocated to each lease component based on the proportion to the total uncontrolled price of lease components and non-lease components. In addition, the lease term is the combination of a non-cancellable period of the lease, the period subject to an extension option that is reasonably certain to be exercised and the period subject to a termination option that is reasonably certain not to be exercised.

(Lessee side)

a. Lease transactions for intangible assets

The Group has not adopted IFRS 16 for lease transactions for intangible assets.

b. Right-of-use assets

The Group recognizes right-of-use assets on the lease commencement date. The right-of-use assets are measured on a historical cost basis on the commencement date. The historical costs comprise the sum of initially measured amount of lease liabilities, lease payments made at or before the lease commencement date less lease incentives received, initial direct costs incurred by the lessee, and estimates of costs to be incurred by the lessee in dismantling and removing the underlying assets, restoring the site on which the underlying assets are located or restoring the underlying assets to the condition required by the terms and conditions of the agreement.

The Group adopts a cost model after the commencement date and the right-of-use assets are measured by deducting accumulated depreciation and accumulated impairment loss from the historical costs. The Group depreciates the right-of-use assets from the commencement date to the earlier of the end of the useful life of the underlying assets or the end of the lease term, unless it is reasonably certain that the ownership of the underlying assets will be transferred to the Group at the end of the lease term. The useful life of the right-of-use assets is determined in the same manner as property and equipment.

c. Lease liabilities

The Group recognizes lease liabilities on the lease commencement date. The lease liabilities are measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate. The lease payments included in the measurement of the lease liabilities comprise mainly fixed lease payments, the lease payment for the extension period if the Group is reasonably certain to exercise its extension option, and payments of penalties for terminating the lease unless it is reasonably certain that there will be no early termination.

After the commencement date, the Group measures the lease liabilities by increasing or decreasing the carrying amount to reflect interest on the lease liabilities and the lease payments made. The Group remeasures the lease liabilities and corrects the right-of-use assets to reflect any reassessment of the lease liabilities or lease modifications.

Unless otherwise specified, English-language documents are prepared solely for the convenience of non-Japanese speakers. If there is any inconsistency between the English-language documents and the Japanese-language documents, the Japanese-language documents will prevail.

The English notations of the account items have been revised to coincide with the notations used for the Annual Report commencing with this fiscal year. Japanese notations remain the same.