

Results for the Six Months Ended September 30, 2020 (FY2020-2Q) [IFRS]

October 30, 2020

Company Name: Z Holdings Corporation Share Listings: 1st section of TSE
 Code No.: 4689 URL: <https://www.z-holdings.co.jp/en/>
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Scheduled Securities Report Submission Date: November 9, 2020

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 FY2020-2Q (April 1, 2020 - September 30, 2020)

(1) Consolidated Business Performance (April 1, 2020 - September 30, 2020) (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 (%)
FY2020 1Q-2Q	557,223 (15.1)	98,237 (29.8)	86,748 (14.8)	54,570 (3.8)	45,837 (-10.4)	57,478 (10.9)
FY2019 1Q-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)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY2020 1Q-2Q	9.62	9.62
FY2019 1Q-2Q	10.41	10.41

(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	%
FY2020-2Q	4,112,203	1,060,584	777,830	18.9
FY2019	3,933,910	1,047,823	771,548	19.6

2. Dividends

	Dividends per share				
	1Q	2Q	3Q	Year end	Full year
	Yen	Yen	Yen	Yen	Yen
FY2019	—	0.00	—	8.86	8.86
FY2020	—	0.00			
FY2020 (Estimates)			—	—	—

(Note) Estimate for dividends to be paid for fiscal year ending March 31, 2021 is yet to be determined.

3. Consolidated Performance Estimates for FY2020 (April 1, 2020 – March 31, 2021)

(Figures in parenthesis are % change YoY)

	Revenue		Operating income	
	Millions of yen	%	Millions of yen	%
FY2020	1,140,000	8.3	160,000	5.1

(Note 1) Revision in performance estimates previously announced: Yes

(Note 2) Impacts of the business integration with LINE Corporation that are foreseeable at this point in time are reflected to a certain extent.

For details, please refer to 3. Outlook for Fiscal 2020 (April 1, 2020 – March 31, 2021) 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 specified subsidiaries causing changes in scope of consolidation): None

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

1) Changes due to IFRS: None

2) Changes other than 1): None

3) Changes in accounting estimate: None

(3) Number of stocks issued (common stock)

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

FY2020-2Q	4,823,821,065	FY2019	4,822,507,465
FY2020-2Q	60,126,021	FY2019	60,061,000
FY2020 1Q-2Q	4,762,966,848	FY2019 1Q-2Q	4,915,007,896

2) Number of treasury stocks at end of period

3) Average number of stocks (during six-month period)

* 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 results, etc., could differ significantly from the estimates.

○ Table of contents of attachments

1 Qualitative Information regarding the Consolidated Operating Results	2
(1) Qualitative Information regarding the Consolidated Business Performance	2
(2) Qualitative Information regarding the Consolidated Financial Position	5
(3) Significant Contracts	6
(4) Risk Factors	8
2 Interim Condensed Consolidated Financial Statements and Significant Notes	9
(1) Interim Condensed Consolidated Statement of Financial Position	9
(2) Interim Condensed Consolidated Statement of Profit or Loss	11
(3) Interim Condensed Consolidated Statement of Comprehensive Income	12
(4) Interim Condensed Consolidated Statement of Changes in Equity	13
(5) Interim Condensed Consolidated Statement of Cash Flows	15
(6) Notes to Interim Condensed Consolidated Financial Statements	16

1 Qualitative Information regarding the Consolidated Operating Results

(1) Qualitative Information regarding the Consolidated Business Performance

1. Business Results Summary (April 1, 2020 to September 30, 2020)

■ Highlights

- Leveraging our diversified business portfolio, the revenue and the operating income increased 15.1% and 29.8% year on year, respectively.
- Out of the EC transaction value, transaction value of services and digital contents increased, due to the start of the “Go To” campaigns.
- The Z Holdings Group will actively invest mainly in the Commerce Business in the second half of fiscal 2020 and aim at the revenue of ¥1.14 trillion (up 8.3% year on year) and the operating income of ¥160.0 billion (up 5.1% year on year) in the full-year business performance.

	FY2019 1Q-2Q	FY2020 1Q-2Q	Year-on-Year Change (Amount)	Year-on-Year Change (%)
Revenue	¥484.1 billion	¥557.2 billion	+¥73.0 billion	+15.1%
Operating income	¥75.6 billion	¥98.2 billion	+¥22.5 billion	+29.8%
Income before income taxes	¥75.5 billion	¥86.7 billion	+¥11.1 billion	+14.8%
Net Income attributable to owners of the parent	¥51.1 billion	¥45.8 billion	-¥5.3 billion	-10.4%

The revenue for the cumulative consolidated second quarter of the fiscal year ending March 31, 2021 amounted to ¥557.2 billion, an increase of ¥73.0 billion (+15.1%) compared with the same period last year. This was mainly due to the consolidation of ZOZO, Inc. in November 2019, and the increase in the revenues of eBOOK Initiative Japan Co., Ltd. and YJ Card Corporation.

Operating income and income before income taxes increased year on year, due to the consolidation of ZOZO, Inc., increase in operating income of the Commerce Business because of profit improvement of the ASKUL Group, etc., and the reduction of sales promotion costs mainly in YJ Card Corporation and Yahoo Japan Corporation.

Net income attributable to owners of the parent decreased year on year, affected by the recognition of gain on change in equity interest of PayPay Corporation of ¥10.8 billion in the same quarter last year.

2. Segment Business Results Summary (April 1, 2020 – September 30, 2020)

Revenue and Operating Income by Segment

	FY2019 1Q-2Q	FY2020 1Q-2Q	Year-on-Year Change (Amount)	Year-on-Year Change (%)
Commerce Business				
Revenue	¥334.2 billion	¥414.7 billion	+¥80.4 billion	+24.1%
Operating income	¥35.2 billion	¥67.6 billion	+¥32.4 billion	+92.2%
Media Business				
Revenue	¥148.8 billion	¥141.9 billion	-¥6.8 billion	-4.6%
Operating income	¥72.3 billion	¥67.9 billion	-¥4.4 billion	-6.1%
Others				
Revenue	¥4.0 billion	¥3.4 billion	-¥0.6 billion	-16.4%
Operating income/loss	-¥0.5 billion	-¥1.6 billion	-¥1.1 billion	—
Adjustments				
Revenue	-¥3.0 billion	-¥2.8 billion	—	—
Operating income	-¥31.3 billion	-¥35.7 billion	—	—
Total				
Revenue	¥484.1 billion	¥557.2 billion	+¥73.0 billion	+15.1%
Operating income	¥75.6 billion	¥98.2 billion	+¥22.5 billion	+29.8%

Notes: 1. The Z Holdings Group has transferred part of its services and subsidiaries between segments since April 1, 2020. Major changes include the transfer of the automobile-related services, including a consolidated subsidiary, Carview Corporation, from the Commerce Business to the Media Business. Along with this, prior data and comparative figures have been adjusted to the current segments retroactively.
2. Adjustments figures represent inter-segment transactions and general corporate expenses not belonging to any reporting segment.

1) Commerce Business in the Cumulative Consolidated Second Quarter

Revenue of the Commerce Business rose from the same period last year, contributed by the consolidation of ZOZO, Inc. in November 2019 as well as increase in the Shopping-related advertising revenue (*1) and expanded revenues of eBook Initiative Japan Co., Ltd. and YJ Card Corporation.

In addition, merchandise transaction value (*2) amounted to ¥1,253.5 billion, increasing 30.8% year on year. Number of PayPay payments steadily grew to about 915.06 million (approx. 6.4 times year on year) as a result of the proliferation of cashless payments affected by the novel coronavirus.

As a result, revenue of the Commerce Business of the cumulative consolidated second quarter amounted to ¥414.7 billion, increasing 24.1% year on year and accounting for 74.4% of total revenue. Operating income increased 92.2% year on year, to ¥67.6 billion.

*1 Total of the non-consolidated Shopping-related advertising revenue of Yahoo Japan Corporation; advertising revenue of “StoreMatch”, an advertising product in Yahoo! JAPAN Shopping sold by ValueCommerce Co., Ltd. to tenants of Yahoo! JAPAN Shopping, etc.; and listing fees for PayPay Mall. Revenue of Search advertising placed by tenants of Yahoo! JAPAN Shopping, PayPay Mall and that of Yahoo! JAPAN Ads (programmatic-based) are recorded in the advertising revenue of the Media Business segment.

*2 Includes transaction values of reuse businesses including YAHUOKU!, Yahoo! JAPAN Government Auctions, PayPay Flea Market and ZOZOUSSED, shopping business transaction value, other (merchandise) 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

The portion of Display advertising (Programmatic advertising) revenue that is recognized as revenue for the Media Business grew year on year, because of increased traffic of the Media service affected by the novel coronavirus and the successful measures such as increased distribution by the external distribution partners. By contrast, Search advertising revenue decreased compared to the same period last year primarily due to decrease in ad placements affected by the novel coronavirus.

As a result, revenue of the Media Business of the cumulative consolidated second quarter amounted to ¥141.9 billion, falling 4.6% year on year, and accounted for 25.5% of total revenue. Operating income decreased 6.1% year on year, to ¥67.9 billion.

Business Segment Breakdown

Commerce Business	Advertising	Display advertising (Programmatic, reservation), ZOZO
	Business Services (for corporations)	ASKUL, ZOZO, Affiliate-related services, Reservation-related services, Corporate system-use fees of YAHUOKU!, Payment-related services, Banking-related services, Credit card-related services and others, Real estate-related services
	Personal Services (for individuals)	LOHACO, ZOZO, Yahoo! JAPAN Premium, Personal system-use fees of YAHUOKU!, PayPay Flea Market sales commission, Credit card-related services, Pet supplies-related services, Telecommunications carrier-related services, Banking-related services, E-book-related services, FX-related services, Payment-related services
	Others	Banking-related services
Media Business	Advertising	Search advertising, Display advertising (Programmatic, reservation)
	Business Services (for corporations)	Media-related services, CRM-related services and others
	Personal Services (for individuals)	Video-related services and others
Others	Advertising	—
	Business Services (for corporations)	Utilities payment-related services and others
	Personal Services (for individuals)	Yahoo! JAPAN Mail, Utilities payment-related services and others

Note: The contracts of business services are concluded with corporations; the contracts of personal services are concluded with individual users. The same product may be classified in different segments depending on the contractor.

3. Outlook for Fiscal 2020 (April 1, 2020 – March 31, 2021)

The forecast of consolidated business results for the fiscal year ending March 31, 2021 had not been announced because a reasonable determination of the forecast was difficult due to the spread of the novel coronavirus (COVID-19). However, we are announcing the forecast based on the information currently available to the Company.

Regarding the forecast of consolidated business results for the fiscal year ending March 31, 2021, the Z Holdings Group will expand the existing business as well as actively invest in the focus areas, mainly in the Commerce Business, commencing with the second half of fiscal 2020, and thus the consolidated revenue and operating income are expected to be ¥1.14 trillion (up 8.3% year on year) and ¥160.0 billion (up 5.1% year on year), respectively.

(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 ¥4,112,203 million, increasing ¥178,293 million, or 4.5% from the end of fiscal 2019. 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.
- Investment securities in banking business increased from the end of fiscal 2019, because acquisition amount exceeded sales amount.
- Other financial assets rose compared with the end of fiscal 2019, mainly due to the increase in deposits in the central clearing house.
- Other assets decreased from the end of fiscal 2019, primarily because of the refund of income taxes withheld arising from inter-Group dividends.

2) Liabilities

Total liabilities at the end of this second quarter were ¥3,051,618 million, increasing ¥165,531 million, or 5.7%, from the end of fiscal 2019. The major components of change were the following:

- Customer deposits in banking business increased from the end of fiscal 2019 due to the increase of deposits from customers.
- Interest-bearing debt increased from the end of fiscal 2019 chiefly due to the increase as a result of the issuance of corporate bonds, despite partial early repayment of short-term borrowings.

3) Equity

Total equity at the end of this second quarter amounted to ¥1,060,584 million, increasing ¥12,761 million, or 1.2%, from the end of fiscal 2019. The primary reason for change in equity was as follows:

- Retained earnings increased from the end of fiscal 2019 because of recognition of profit for the period attributable to owners of the parent despite payment of dividends.

2. Cash Flows

At the end of this second quarter, cash and cash equivalents amounted to ¥1,067,425 million, up ¥187,324 million from the end of fiscal 2019, out of which deposit with the Bank of Japan for banking business was ¥426,750 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 ¥220,018 million mainly because of increase in customer deposits in banking business and the refund of income taxes withheld arising from inter-Group dividends despite the payment of income taxes withheld arising from inter-Group dividends.

Cash flows from investing activities amounted to a cash outflow of ¥101,476 million, chiefly due to purchase and sales, etc., of investment securities in banking business, and the acquisitions of intangible assets and property and equipment.

Cash flows from financing activities amounted to a cash inflow of ¥68,863 million, attributed mainly to the issuance of corporate bonds despite early repayment of short-term borrowing and the payment of dividends.

(3) Significant Contracts

The following are the significant contracts, etc., that were revised or concluded in this consolidated second quarter.

1) Share exchange agreement

Based on the resolution of the board of directors meeting held on January 31, 2020, the Company entered into a share exchange agreement (“Share Exchange Agreement”) on the same day with LINE Split Preparation Corporation, a wholly owned subsidiary of LINE Corporation (“LINE”), as part of the series of transactions for accomplishing the business integration with LINE. However, as announced in “Announcement Regarding Progress Toward Implementation of the Business Integration” dated June 30, 2020 and “Announcement Regarding Schedule for Implementation of the Business Integration” dated August 3, 2020, the parties have revised the schedule for the business integration. Both companies resolved, in their respective extraordinary board of directors meeting held on August 3, 2020, to revise the effective date prescribed in the Share Exchange Agreement (“Effective Date”) and have concluded an Amendment Agreement to the Share Exchange Agreement (“Amendment Agreement”).

The Effective Date was scheduled to be on October 1, 2020 in the Share Exchange Agreement, but an agreement was made in the Amendment Agreement to revise the Effective Date to be scheduled on March 1, 2021.

Apart from the revised Effective Date, the Amendment Agreement has no material changes from the Share Exchange Agreement.

The schedule of the share exchange is as follows:

Conclusion of the Share Exchange Agreement	January 31, 2020
Approval in the general meeting of the shareholders on this share exchange	March 17, 2020
Conclusion of the Amendment Agreement	August 3, 2020
Effective date of the Amendment Agreement	March 1, 2021 (scheduled)

2) Loan agreement

On November 14, 2019, for the purpose of procuring funds for the tender offer to acquire the shares of ZOZO, Inc., the Company entered into a loan agreement with the Company’s five financial institutions, with Mizuho Bank, Ltd. acting as the administrative agent, and the loan was executed on November 19, 2019. This loan agreement was terminated based on the monetary loan agreement concluded on September 30, 2020 between the Company and the Company’s five financial institutions, with Mizuho Bank, Ltd. acting as the administrative agent (please refer to 3) Monetary loan agreement), upon the execution of the monetary loan on October 30, 2020.

3) Monetary loan agreement

On September 30, 2020, for the purpose of refinancing the loan made for the tender offer to acquire the shares of ZOZO, Inc., the Company entered into a monetary loan agreement with the Company’s five financial institutions, with Mizuho Bank, Ltd. acting as the administrative agent. The loan was executed on October 30, 2020.

The summary of the monetary loan agreement is as follows.

- ① Amount of borrowing
JPY 150,000 million
- ② Interest rate
The Japanese Bankers Association Yen TIBOR + interest rate spread
Please note that the interest rate spread applied is that stipulated in the agreement.
- ③ Maturity
September 30, 2025
- ④ Collateral
None
- ⑤ Joint guarantor
Yahoo Japan Corporation
- ⑥ Major obligations of the borrower

i) Without consent of majority lenders, the Company shall not provide a third party guarantee, loan money to a third party other than the consolidated subsidiaries of the Company, or loan money to the consolidated subsidiaries of the Company for the purpose of loan to or investment in a third party. The Company also shall not guarantee, loan money to and provide other credit activities to, or invest in SoftBank Group Corp. or SoftBank Corp.

ii) Financial covenants

- Equity of the Company at September 30, 2020 and each year-end balance sheet date thereafter should maintain 75% of the amount of equity as of the same period of the previous fiscal year.
- Equity of the Z Holdings Group at September 30, 2020 and each year-end consolidated balance sheet date thereafter as well as at each six-month interim consolidated balance sheet date thereafter should maintain 75% of equity as of the same period of the previous year.
- Total liabilities of the Company at September 30, 2020 and each year-end balance sheet date thereafter should not exceed its total assets.
- Total liabilities of the Z Holdings Group at September 30, 2020 and each year-end consolidated balance sheet date thereafter as well as at each six-month interim consolidated balance sheet date thereafter should not exceed its total assets.
- The Company should not record operating loss and/or net income loss for the fiscal year ending March 31, 2021 and thereafter for two consecutive fiscal years.
- The Z Holdings Group should not record operating loss and/or net loss on a consolidated basis for the fiscal year ending March 31, 2021 and thereafter for two consecutive fiscal years.
- Net leverage ratio (a) on a consolidated basis for September 30, 2020 and each year-end consolidated balance sheet date thereafter as well as at each six-month interim consolidated balance sheet date thereafter should not exceed the ratio specified in the agreement.

(a) Net leverage ratio = Net debt (b) ÷ Adjusted EBITDA (c)

(b) Amount derived by deducting cash and cash equivalents from interest-bearing liabilities in the consolidated balance sheet of the Z Holdings Group. There are certain adjustments involved such as: interest-bearing liabilities here do not include interest-bearing liabilities arising from asset securitization; the interest-bearing liabilities and cash and cash equivalents of The Japan Net Bank, Limited shall not be included in the interest-bearing liabilities and cash and cash equivalents, etc.

(c) EBITDA is derived by adding certain adjustments prescribed in the agreement with the financial institutions such as depreciation and amortization, and losses on disposal included in operating expenses, etc., to the operating income.

4) Debt guarantee agreement

As part of the series of transactions for accomplishing the business integration with LINE Corporation ("LINE"), and for the purpose of providing a joint guarantee for the fund procurement conducted by LINE in relation to the early redemption of LINE's convertible bonds, the Company concluded a debt guarantee agreement with LINE, NAVER Corporation, and its 22 financial institutions, with Mizuho Bank, Ltd. acting as the administrative agent.

The summary of the agreement is as follows:

① Outline of fund procurement by LINE

Please refer to LINE's announcement, "Notice on Conclusion of a Syndicated Loan Agreement":

https://d.line-scdn.net/stf/linecorp/en/ir/all/LINE_20200928_2_EN.pdf

② Scope of guarantee

On the condition that the business integration between the Company and LINE is completed, the Company provides a joint guarantee to the respective financial institutions on LINE's loans, Tranche B (JPY 68.6 billion) and Tranche D (JPY 5.7 billion). In relation to the guarantee provided by NAVER Corporation for the aforementioned loans, the Company provides a joint guarantee to NAVER Corporation on the liability that LINE (an entity which will become a consolidated subsidiary of the Company when the business integration is completed; current LINE Split Preparation Company which will succeed LINE's businesses including the rights and obligations of LINE in relation to its capital funding) may owe to NAVER Corporation.

③ Major obligations of the guarantor

The Company guarantees that LINE and Yahoo Japan Corporation will be maintained as its consolidated subsidiaries and that the Company's shareholding ratio in LINE and Yahoo Japan Corporation will not fall below 50.1%, in between the date of the completion of the business integration with LINE and the date on which LINE fulfills all of its liabilities related to the loans.

(4) Risk Factors

Some changes in the major risk factors below have occurred in this cumulative consolidated second quarter (As additionally noted in (Note) below) where the management recognizes that such factors could make important impacts on financial position, operating results and cash flow of the Z Holdings Group among items regarding status of business, status of accounting, etc., described in the financial statements of the previous fiscal year.

For confirmation, forward-looking statements contained in the sentences are those determined by the Z Holdings Group as of the end of this consolidated second quarter. There are no important changes in Risk Factors described in the financial statements of the previous fiscal year (in Japanese only) other than those described below.

Financial risks

Investments or loans made by the Z Holdings Group may not be sufficiently profitable and we may be unable to recover the capital invested. In addition, the business performance of the Group could be adversely affected by losses and recognition of impairment losses, etc., in the companies in which we invest, due to the fall in their stock prices and deterioration in market trends. The Z Holdings Group consists of group companies that conduct business transactions of varying sizes. Some group companies could make transactions with parties that are unable to make sufficient credit administrations, and may become unable to receive monetary payments according to their receivables. When accumulated, these could adversely affect the business performance of the Group. Furthermore, the capital needs of the Group increase as our business expands. We consider and take measures to diversify the methods of procuring funds, but we could temporarily be unable to raise funds appropriately due to deteriorated conditions such as rise in interest rates and decline in credibility.

(Note) Share exchange agreement concerning the business integration with LINE Corporation

As noted in “3. Summary of Business Integration (8) Measures Taken to Avoid Conflict of Interest” in “Announcement Regarding Definitive Agreement on Business Integration” dated December 23, 2019, the terms and conditions of the share exchange agreement concerning the business integration with LINE Corporation are decided taking measures to ensure the appropriateness of the transaction terms and the fairness of the business integration procedures. Impairment test will be performed on the effective date of the share exchange by comparing the fair value with the acquisition cost of LINE Corporation (current LINE Split Preparation Company which will succeed LINE’s businesses) which is derived by multiplying the number of shares of the Company delivered (following the share exchange ratio) by the closing stock price of the effective date.

2 Interim Condensed Consolidated Financial Statements and Significant Notes

(1) Interim Condensed Consolidated Statement of Financial Position

(Millions of yen)

	As of Mar. 31, 2020	As of Sept. 30, 2020	Increase/decrease	
	Amount	Amount	Amount	Change (%)
Assets				
Cash and cash equivalents	880,100	1,067,425	187,324	21.3
Call loans for banking business	—	15,000	15,000	—
Trade and other receivables	386,799	378,446	-8,352	-2.2
Inventories	20,889	21,265	376	1.8
Loans in credit card business	342,245	337,795	-4,450	-1.3
Investment securities in banking business	415,809	468,573	52,764	12.7
Loans in banking business	98,752	111,433	12,681	12.8
Other financial assets	264,213	298,890	34,677	13.1
Property and equipment	131,215	129,142	-2,072	-1.6
Right-of-use assets	106,304	96,676	-9,628	-9.1
Goodwill	400,034	405,939	5,905	1.5
Intangible assets	679,375	678,436	-939	-0.1
Investments accounted for using the equity method	8,567	8,834	266	3.1
Deferred tax assets	43,739	42,856	-883	-2.0
Other assets	155,863	51,486	-104,377	-67.0
Total assets	3,933,910	4,112,203	178,293	4.5

(Millions of yen)

	As of Mar. 31, 2020	As of Sept. 30, 2020	Increase/decrease	
	Amount	Amount	Amount	Change (%)
Liabilities and equity				
Liabilities				
Trade and other payables	487,242	466,261	-20,980	-4.3
Customer deposits in banking business	903,118	1,091,475	188,356	20.9
Interest-bearing liabilities	1,086,436	1,204,659	118,222	10.9
Other financial liabilities	10,157	8,984	-1,173	-11.6
Income taxes payable	32,887	31,801	-1,085	-3.3
Provisions	28,161	26,081	-2,079	-7.4
Deferred tax liabilities	160,976	159,397	-1,578	-1.0
Other liabilities	177,106	62,957	-114,149	-64.5
Total liabilities	2,886,086	3,051,618	165,531	5.7
Equity				
Equity attributable to owners of the parent				
Common stock	237,422	237,707	284	0.1
Capital surplus	212,539	212,913	374	0.2
Retained earnings	330,752	336,312	5,559	1.7
Treasury stock	-17,382	-17,382	-0	—
Accumulated other comprehensive income	8,216	8,279	62	0.8
Total equity attributable to owners of the parent	771,548	777,830	6,281	0.8
Non-controlling interests	276,274	282,754	6,480	2.3
Total equity	1,047,823	1,060,584	12,761	1.2
Total liabilities and equity	3,933,910	4,112,203	178,293	4.5

(2) Interim Condensed Consolidated Statement of Profit or Loss

(Millions of yen)

	Six months ended Sept. 30, 2019	Six months ended Sept. 30, 2020	Increase/decrease	
	Amount	Amount	Amount	Change (%)
Revenue	484,145	557,223	73,078	15.1
Cost of sales	205,253	205,533	280	0.1
Selling, general and administrative expenses	203,230	253,453	50,222	24.7
Operating income	75,661	98,237	22,575	29.8
Other non-operating income	11,596	1,326	-10,270	-88.6
Other non-operating expenses	735	5,579	4,843	658.1
Equity in losses of associates and joint venture	-10,935	-7,235	3,699	—
Profit before tax	75,586	86,748	11,161	14.8
Income tax expense	22,992	32,178	9,185	39.9
Profit for the period	52,593	54,570	1,976	3.8
Attributable to:				
Owners of the parent	51,177	45,837	-5,339	-10.4
Non-controlling interests	1,416	8,732	7,315	516.6
Profit for the period	52,593	54,570	1,976	3.8
Earnings per share attributable to owners of the parent				
Basic (yen)	10.41	9.62	-0.79	-7.6
Diluted (yen)	10.41	9.62	-0.79	-7.6

(3) Interim Condensed Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six months ended Sept. 30, 2019	Six months ended Sept. 30, 2020
Profit for the period	52,593	54,570
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Equity financial assets measured at FVTOCI	-720	2,891
Subtotal	-720	2,891
Items that may be reclassified subsequently to profit or loss		
Debt financial assets measured at FVTOCI	703	798
Exchange differences on translating foreign operations	-746	-780
Share of other comprehensive income of associates	0	—
Subtotal	-41	17
Other comprehensive income, net of tax	-761	2,908
Total comprehensive income	51,832	57,478
Total comprehensive income attributable to:		
Owners of the parent	50,046	48,013
Non-controlling interests	1,785	9,465
Total comprehensive income	51,832	57,478

(4) Interim Condensed Consolidated Statement of Changes in Equity

Six months ended Sept. 30, 2019

(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, 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 of accumulated other comprehensive income to retained earnings			247		-247	—		—
Purchase of treasury stock				-526,625		-526,625		-526,625
Disposal 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 Sept. 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.

	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, 2020	237,422	212,539	330,752	-17,382	8,216	771,548	276,274	1,047,823
Profit for the period			45,837			45,837	8,732	54,570
Other comprehensive income, net of tax					2,175	2,175	732	2,908
Total comprehensive income for the period	—	—	45,837	—	2,175	48,013	9,465	57,478
Transactions with owners and other transactions								
Issue of common stock	284	284				568		568
Payment of dividends			-42,195			-42,195	-3,768	-45,964
Transfer of accumulated other comprehensive income to retained earnings			2,113		-2,113	—		—
Purchase of treasury stock				-0		-0		-0
Changes attributable to obtaining or losing control of subsidiaries			-195			-195	514	318
Changes in ownership interests in subsidiaries without losing control		158				158	367	526
Others		-67				-67	-98	-165
Total	284	374	-40,278	-0	-2,113	-41,732	-2,984	-44,717
Balance at Sept. 30, 2020	237,707	212,913	336,312	-17,382	8,279	777,830	282,754	1,060,584

(5) Interim Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended Sept. 30, 2019	Six months ended Sept. 30, 2020
	Amount	Amount
Cash flows from operating activities:		
Profit before tax	75,586	86,748
Depreciation and amortization	36,266	48,897
Equity in losses of associates and joint venture	10,935	7,235
Increase (decrease) in call loans in banking business	5,000	-15,000
Decrease in trade and other receivables	840	10,259
Decrease (increase) in trade and other payables	8,944	-18,039
Increase in loans in banking business	-4,003	-12,681
Increase in customer deposits in banking business	51,404	188,356
Others	-113,571	-47,135
Subtotal	71,403	248,641
Interest and dividends received	648	662
Interest paid	-570	-2,835
Income taxes—paid	-25,020	-136,967
Income taxes—refunded	200	110,517
Net cash generated by operating activities	46,661	220,018
Cash flows from investing activities:		
Purchase of investment securities in banking business	-121,523	-179,850
Proceeds from sales/redemption of investment securities in banking business	138,394	127,097
Purchase of other investments	-8,455	-10,413
Purchase of property and equipment	-20,300	-13,578
Purchase of intangible assets	-27,548	-22,888
Others	-1,386	-1,842
Net cash used in investing activities	-40,819	-101,476
Cash flows from financing activities:		
Net decrease (increase) in short-term borrowings	88,700	-89,670
Proceeds from long-term borrowings	3,400	22,785
Proceeds from issuance of corporate bonds	229,217	199,367
Dividends paid	-45,019	-42,181
Repayment of lease liabilities	-10,631	-13,828
Others	-74,556	-7,608
Net cash generated by financing activities	191,109	68,863
Effects of exchange rate changes on cash and cash equivalents	-385	-81
Net increase in cash and cash equivalents	196,566	187,324
Cash and cash equivalents at the beginning of the period	546,784	880,100
Cash and cash equivalents at the end of the period	743,350	1,067,425

(6) Notes to Interim Condensed Consolidated Financial Statements

1. Going Concern Assumption

Not applicable.

2. Changes in Presentation Method

(Re: Interim Condensed Consolidated Statement of Cash Flows)

There was an increased importance in “Interest and dividends received” from operations other than our finance business presented in “Others” in “Cash flows from investing activities” in the cumulative consolidated second quarter of the fiscal year ending March 31, 2020, and “Interest paid” for operations other than our finance business presented in “Others” in “Cash flows from financing activities” in the same period. Thus, these items are now independently presented in “Cash flows from operating activities” in the cumulative consolidated second quarter of the fiscal year ending March 31, 2021.

In order to reflect this change in the presentation method, ¥648 million, which was included in “Others” in “Cash flows from investing activities” in the cumulative consolidated second quarter of the fiscal year ending March 31, 2020 is now reclassified as “Interest and dividends received” in “Cash flows from operating activities”. Likewise, -¥570 million, which was included in “Others” in “Cash flows from financing activities” is now reclassified as “Interest paid” in “Cash flows from operating activities”.

3. Use of Estimates and Judgments

In preparing the condensed interim consolidated financial statements under IFRS, management is required to make judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenue, and expenses. Actual results may differ from those projected estimates.

The estimates and underlying assumptions are continuously reviewed. Revisions to accounting estimates are recognized in the period in which the estimate is revised as well as in future periods.

The judgments, estimates and assumptions that have significant impact on the amounts in the condensed interim consolidated financial statements of the Z Holdings Group are consistent with those described in the consolidated financial statements for the previous consolidated fiscal year.

Due to the outbreak of the coronavirus disease (COVID-19), there has been a sharp slowdown in economic activity and consequent deterioration in the economic environment, but they have not had a significant impact on the Group's business results for the cumulative consolidated second quarter. As of this moment, it is difficult to make a reasonable estimate of the duration and extent of the impact of the COVID-19 infection. If there is a delay in the curbing of the outbreak, this will affect the Group's future earnings and cash flows and there will be certain uncertainties in the estimates. In this situation, we reasonably estimate the amount on the evaluation of impairment of goodwill, property and equipment, right-of-use assets and intangible assets, and on the measurements of fair value of investments and expected credit losses related to receivables, etc. When we make the estimates, we take into consideration of the period and the risks and uncertainties of the impact of the COVID-19 infection, based on the information and facts available at the time of preparation of the condensed consolidated financial statements of the current quarter. For confirmation, there has not been any significant change in such estimates since the end of the previous consolidated fiscal year. However, future uncertainties may cause a discrepancy between the estimated amount made with the best estimates and the subsequent results.

4. Significant Subsequent Events

On September 30, 2020, for the purpose of refinancing the loan made for the tender offer to acquire the shares of ZOZO, Inc., the Company entered into a monetary loan agreement with the Company's five financial institutions, with Mizuho Bank, Ltd. acting as the administrative agent. The loan was executed on October 30, 2020.

The summary of the monetary loan agreement is as follows.

- ① Amount of borrowing
JPY 150,000 million
- ② Interest rate

The Japanese Bankers Association Yen TIBOR + interest rate spread

Please note that the interest rate spread applied is that stipulated in the agreement.

③ Maturity

September 30, 2025

④ Collateral

None

⑤ Joint guarantor

Yahoo Japan Corporation

⑥ Major obligations of the borrower

i) Without consent of majority lenders, the Company shall not provide a third party guarantee, loan money to a third party other than the consolidated subsidiaries of the Company, or loan money to the consolidated subsidiaries of the Company for the purpose of loan to or investment in a third party. The Company also shall not guarantee, loan money to and provide other credit activities to, or invest in SoftBank Group Corp. or SoftBank Corp.

ii) Financial covenants

- Equity of the Company at September 30, 2020 and each year-end balance sheet date thereafter should maintain 75% of the amount of equity as of the same period of the previous fiscal year.
- Equity of the Z Holdings Group at September 30, 2020 and each year-end consolidated balance sheet date thereafter as well as at each six-month interim consolidated balance sheet date thereafter should maintain 75% of equity as of the same period of the previous year.
- Total liabilities of the Company at September 30, 2020 and each year-end balance sheet date thereafter should not exceed its total assets.
- Total liabilities of the Z Holdings Group at September 30, 2020 and each year-end consolidated balance sheet date thereafter as well as at each six-month interim consolidated balance sheet date thereafter should not exceed its total assets.
- The Company should not record operating loss and/or net income loss for the fiscal year ending March 31, 2021 and thereafter for two consecutive fiscal years.
- The Z Holdings Group should not record operating loss and/or net loss on a consolidated basis for the fiscal year ending March 31, 2021 and thereafter for two consecutive fiscal years.
- Net leverage ratio (a) on a consolidated basis for September 30, 2020 and each year-end consolidated balance sheet date thereafter as well as at each six-month interim consolidated balance sheet date thereafter should not exceed the ratio specified in the agreement.

(a) Net leverage ratio = Net debt (b) ÷ Adjusted EBITDA (c)

(b) Amount derived by deducting cash and cash equivalents from interest-bearing liabilities in the consolidated balance sheet of the Z Holdings Group. There are certain adjustments involved such as: interest-bearing liabilities here do not include interest-bearing liabilities arising from asset securitization; the interest-bearing liabilities and cash and cash equivalents of The Japan Net Bank, Limited shall not be included in the interest-bearing liabilities and cash and cash equivalents, etc.

(c) EBITDA is derived by adding certain adjustments prescribed in the agreement with the financial institutions such as depreciation and amortization, and losses on disposal included in operating expenses, etc., to the operating income.

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.