

Results for the Three Months Ended June 30, 2021 (FY2021-1Q) [IFRSs]

August 3, 2021

Company Name: Z Holdings Corporation Share Listings: 1st section of TSE
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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 FY2021-1Q (April 1, 2021 - June 30, 2021)

(1) Consolidated Business Performance (April 1, 2021 - June 30, 2021)

(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 (%)
Three-month period ended June 30, 2021	373,352 (36.3)	51,385 (1.5)	51,783 (15.3)	30,921 (12.3)	26,617 (17.0)	39,827 (37.4)
Three-month period ended June 30, 2020	273,879 (14.8)	50,632 (40.0)	44,928 (8.6)	27,542 (-1.1)	22,750 (-16.9)	28,979 (7.3)

	Adjusted EBITDA	Adjusted EPS	Basic earnings per share	Diluted earnings per share
	Millions of yen (%)	Yen (%)	Yen	Yen
Three-month period ended June 30, 2021	86,355 (11.2)	3.56 (-30.3)	3.50	3.49
Three-month period ended June 30, 2020	77,657 (44.3)	5.11 (-4.9)	4.78	4.78

(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	%
As of June 30, 2021	6,693,354	2,954,106	2,666,088	39.8
As of March 31, 2021	6,696,680	2,989,597	2,682,318	40.1

2. Dividends

(Record date)	Dividends per share				
	1Q	2Q	3Q	Year end	Full year
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	—	0.00	—	5.56	5.56
Fiscal year ending March 31, 2022	—				
Fiscal year ending March 31, 2022 (Estimates)		0.00	—	5.56	5.56

(Note) Revision in dividends previously announced: None

3. Consolidated Performance Estimates for FY2021 (April 1, 2021 – March 31, 2022) (Figures in parenthesis are % change YoY)

FY2021	Revenue		Adjusted EBITDA	
	Millions of yen	%	Millions of yen	%
	1,520,000 - 1,570,000	(26.1 - 30.2)	303,000 - 313,000	(2.8 - 6.2)

(Note) Revision in performance estimates previously announced: None

For details, please refer to 3. Outlook for Fiscal 2021 (April 1, 2021 – March 31, 2022) in (1) Qualitative Information regarding the Consolidated Business Performance of 1 Qualitative Information regarding the Consolidated Operating Results on page 5 of the Results for the Three 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 accounting principles, procedures and presentation methods

1) Changes due to IFRSs: 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 (including treasury stocks)

As of June 30, 2021 7,655,301,695 shares

As of March 31, 2021 7,655,201,395 shares

2) Number of shares of treasury stocks

As of June 30, 2021 60,163,521 shares

As of March 31, 2021 60,141,521 shares

3) Average number of common stocks outstanding (quarterly cumulative)

As of June 30, 2021 7,595,090,782 shares

As of June 30, 2020 4,762,450,094 shares

(4) Formula for each management index

• Adjusted EBITDA: Operating income + Depreciation & amortization ± EBITDA adjustment items (*1)

• Adjusted EPS: Adjusted net income (*2) / Average number of common stocks outstanding (quarterly cumulative)

(*1) EBITDA adjustment items: Gains/losses on non-recurring and non-cash transactions within operating revenue and expenses (loss on retirement of fixed assets, impairment losses, stock compensation expenses, losses/gains on step acquisition, other transactions with undetermined cash outflows (one-time provisions, etc.), etc.)

(*2) Adjusted net income: Net income attributable to owners of the parent ± EBITDA adjustment items ± tax equivalent on adjustment items

* The Results for the Three 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 the management. For a variety of reasons, actual performance estimates, etc., could differ significantly.

- For your information, upon the upcoming transition to the new market segments that is to be conducted by the Tokyo Stock Exchange, Z Holdings Corporation will aim to be listed in the Prime Market. The Company will make timely and appropriate disclosure in the future, when we decide on any matters to be disclosed.

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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, 2021 to June 30, 2021)

■ Highlights
• Marked the highest first quarter revenue of ¥373.3 billion (up 36.3% year on year), driven by the growth of Advertising business and Commerce Business due to the business integration with LINE Corporation, etc.
• Achieved adjusted EBITDA of ¥86.3 billion (up 11.2% year on year), recording an increase in both revenue and income

	Three months ended June 30, 2020	Three months ended June 30, 2021	Year-on-Year Change (Amount)	Year-on-Year Change (%)
Revenue	¥273.8 billion	¥373.3 billion	+¥99.4 billion	+36.3%
Adjusted EBITDA	¥77.6 billion	¥86.3 billion	+¥8.6 billion	+11.2%

The revenue for the consolidated first quarter of the fiscal year ended March 31, 2022 amounted to ¥373.3 billion (up 36.3% year on year), resulting in the highest first quarter revenue. This was due to: significant growth in total advertising revenue due to the consolidation of LINE Corporation as a result of the business integration in March 2021 and recovery in advertisers' demand, etc.; and steady growth in Commerce Business including the ASKUL Group and ZOZO, Inc., etc.

Adjusted EBITDA increased 11.2% year on year, to ¥86.3 billion, due to revenue growth and the consolidation of LINE Corporation, etc.

2. Segment Business Results Summary (April 1, 2021 – June 30, 2021)

Z Holdings Corporation has changed its reporting segments according to the phase of growth of each business, commencing from this consolidated first quarter. The renewed reporting segments are as follows:

Reporting segments

	Major business contents
Media Business	Media/Advertising, Search, Marketing solution, Vertical, Content, Sticker
Commerce Business	Shopping, Reuse, ASKUL, OZO, LINE FRIENDS
Strategic Business	Payment, Finance, AI, Healthcare

Notes: 1. Strategic Business includes businesses centered on fintech, which the Group will work to develop into a new revenue pillar next to Media and Commerce Businesses.

2. Please see Business Segment Breakdown on page 5 for the details of the products handled.

Revenue and Adjusted EBITDA by Segment

	Three months ended June 30, 2020	Three months ended June 30, 2021	Year-on-Year Change (Amount)	Year-on-Year Change (%)
Media Business				
Revenue	¥75.6 billion	¥148.4 billion	+¥72.7 billion	+96.1%
Adjusted EBITDA	¥35.2 billion	¥62.4 billion	+¥27.1 billion	+76.9%
Commerce Business				
Revenue	¥175.3 billion	¥195.9 billion	+¥20.6 billion	+11.8%
Adjusted EBITDA	¥41.4 billion	¥35.4 billion	-¥6.0 billion	-14.6%
Strategic Business				
Revenue	¥20.9 billion	¥28.3 billion	+¥7.3 billion	+35.1%
Adjusted EBITDA/loss	¥5.3 billion	-¥6.3 billion	-¥11.7 billion	—
Others				
Revenue	¥4.1 billion	¥4.8 billion	+¥0.7 billion	+18.6%
Adjusted EBITDA/loss	¥2.1 billion	-¥3.2 billion	-¥5.3 billion	—
Adjustments				
Revenue	-¥2.2 billion	-¥4.2 billion	—	—
Adjusted EBITDA/loss	-¥6.5 billion	-¥1.8 billion	—	—
Total				
Revenue	¥273.8 billion	¥373.3 billion	+¥99.4 billion	+36.3%
Adjusted EBITDA	¥77.6 billion	¥86.3 billion	+¥8.6 billion	+11.2%

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

1) Media Business in the Consolidated First Quarter

Total advertising revenue of the Media Business rose sharply from the same period last year, due to the consolidation of LINE Corporation as a result of the business integration in March 2021, recovery in advertisers' demand and product improvement measures, etc. In particular, Yahoo Japan Corporation saw a year-on-year increase mainly in Search advertising, while LINE Corporation saw a year-on-year increase mainly in Display ads.

As a result, revenue of the Media Business of the consolidated first quarter amounted to ¥148.4 billion, increasing 96.1% year on year. Adjusted EBITDA increased 76.9% year on year, to ¥62.4 billion. The revenue of the Media Business accounted for 39.8% of total revenue.

2) Commerce Business in the Consolidated First Quarter

Revenue in the Commerce Business grew year on year, due to the consolidation of LINE Corporation as a result of the business integration in March 2021 and revenue increase in Shopping business contributed by the growth of ZOZO, Inc. as well as revenue growth in ASKUL BtoB business, etc.

In addition, e-commerce transaction value (*1) amounted to ¥817.2 billion, increasing 15.5% year on year. Out of the e-commerce transaction value, merchandise EC transaction value amounted to ¥690.8 billion, increasing 5.7% year on year.

As a result, revenue of the Commerce Business of the consolidated first quarter amounted to ¥195.9 billion, increasing 11.8% year on year. Adjusted EBITDA decreased 14.6% year on year, to ¥35.4 billion. The revenue of the Commerce Business accounted for 52.5% of total revenue.

(*1) E-commerce transaction value is the total transaction values of the following items shown in Business Segment Breakdown on page 5: Merchandise EC, Services EC, and paid digital content, etc. listed in Others of Media Business.

3) Strategic Business in the Consolidated First Quarter

Revenue in the Strategic Business grew year on year, due to the consolidation of LINE Corporation as a result of the business integration in March 2021 as well as revenue increase in the Fintech field.

For confirmation, PayPay GMV amounted to 1.2167 trillion (up 65.2% year on year), showing steady performance due to increase in PayPay payments attributed to the growing number of users and use. Credit Card transaction value of Yahoo! JAPAN Card (*2) steadily increased to ¥686.6 billion (up 23.4% year on year) and number of PayPay Bank (*3) accounts, to 5.47 million (up 16.4% year on year).

As a result, revenue of the Strategic Business of the consolidated first quarter amounted to ¥28.3 billion, increasing 35.1% year on year. The revenue of the Strategic Business accounted for 7.6% of total revenue.

(*2) YJ Card Corporation is scheduled to change its trade name to PayPay Card Corporation on October 1, 2021.

(*3) PayPay Bank Corporation changed its trade name from The Japan Net Bank, Limited on April 5, 2021.

Business Segment Breakdown

Media Business	Yahoo! JAPAN Ads	Search advertising		Yahoo! JAPAN Ads “Search advertising”
		Display advertising	Programmatic advertising	Yahoo! JAPAN Ads “Display advertising” (Programmatic-based), etc.
			Reservation advertising	Yahoo! JAPAN Ads “Display advertising” (Reservation-based), etc.
	LINE Ads	Display ads		Timeline, LINE NEWS, Chat List, etc.
		Account ads		LINE Official Account, LINE Promotion Sticker, LINE de Obo, LINE Flyer, etc.
		Other ads		livedoor Blog, LINE Part Time Jobs, etc.
	Others	Yahoo Japan		ebookjapan, Real estate-related services, Yahoo! JAPAN Loco, etc.
LINE		LINE Stickers, LINE GAME, LINE Fortune, LINE LIVE, LINE MUSIC, LINE Manga, etc.		
Commerce Business	Merchandise EC	Shopping business		Yahoo! JAPAN Shopping, PayPay Mall, ZOZOTOWN, LOHACO, Charm, LINE SHOPPING, LINE FRIENDS, LINE GIFT
		Reuse business		YAHUOKU!, PayPay Flea Market, ZOZOUSED
		ASKUL online BtoB business	—	
	Services EC		Yahoo! JAPAN Travel, Ikyu Travel, LINE TRAVEL (International), etc.	
	Others		Premium membership, ASKUL non-online BtoB business, ValueCommerce, etc.	
Strategic Business	Fintech	YJ Card		—
		PayPay Bank		—
		Other fintech		PayPay Asset Management, PayPay Insurance, MagneMax, YJFX!, LINE Pay, LINE Securities, LINE Score, LINE Pocket Money, LINE BITMAX, etc.
	Others		AI, LINE Search, LINE Healthcare, etc.	

3. Outlook for Fiscal 2021 (April 1, 2021 – March 31, 2022)

Based on the integration with LINE Corporation, the Group expects a consolidated revenue of ¥1.52 – 1.57 trillion (up 26.1 - 30.2% year on year) and adjusted EBITDA of ¥303.0 – 313.0 billion (up 2.8 - 6.2% year on year), for the fiscal year ending March 31, 2022.

Please note that the forecast is presented with a range because the business environment remains unclear due to COVID-19, and because this will be the first fiscal year of the Company’s business integration with LINE Corporation.

(2) Qualitative Information regarding the Consolidated Financial Position

1. Assets, Liabilities and Equity

1) Assets

Total assets at the end of this consolidated first quarter amounted to ¥6,693,354 million, decreasing ¥3,325 million, or 0.0%, from the end of fiscal 2020. 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.
- Call loans in banking business increased from the end of fiscal 2020, due to short term loans provided.
- Trade and other receivables decreased from the end of fiscal 2020, mainly due to the absence of the Cho PayPay Matsuri conducted in March 2021, which resulted in a higher-than-usual balance at the end of the previous consolidated fiscal year.

2) Liabilities

Total liabilities at the end of this consolidated first quarter were ¥3,739,248 million, increasing ¥32,165 million, or 0.9%, from the end of fiscal 2020. The major components of change were the following:

- Trade and other payables decreased from the end of fiscal 2020, mainly due to the absence of the Cho PayPay Matsuri conducted in March 2021, which resulted in a higher-than-usual balance at the end of the previous consolidated fiscal year.
- Customer deposits in banking business increased from the end of fiscal 2020 due to the increase of deposits from customers.
- Interest-bearing liabilities increased from the end of fiscal 2020 chiefly due to the issuance of commercial papers.
- Income taxes payable decreased from the end of fiscal 2020, mainly because of payment of income taxes.

3) Equity

Total equity at the end of this consolidated first quarter amounted to ¥2,954,106 million, decreasing ¥35,491 million, or 1.2%, from the end of fiscal 2020. The primary reasons for change in equity were as follows:

- Retained earnings decreased from the end of fiscal 2020 due to the payment of dividends despite increase as a result of the recognition of profit for the period attributable to owners of the parent.
- Capital surplus and non-controlling interests decreased from the end of fiscal 2020, chiefly due to the acquisition of ZOZO, Inc.’s common shares from the non-controlling shareholders of ZOZO, Inc.

2. Cash Flows

At the end of this consolidated first quarter, cash and cash equivalents amounted to ¥1,078,096 million, up ¥12,370 million from the end of fiscal 2020, out of which deposit with the Bank of Japan for banking business was ¥316,762 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 ¥52,759 million mainly because of the increase in customer deposits in banking business and recognition of the profit before tax for the period under review despite the payment of income taxes.

Cash flows from investing activities amounted to a cash outflow of ¥29,741 million, chiefly due to the acquisitions of shares, property and equipment and intangible assets.

Cash flows from financing activities amounted to a cash outflow of ¥11,135 million, attributed mainly to the payment of dividends and acquisition of the treasury stocks of ZOZO, Inc., despite the cash inflow due to the issuance of commercial papers.

(3) Significant Contracts

Changes were made in the following significant contract in the consolidated first quarter of the fiscal year ending March 31, 2022.

YAHOO! JAPAN LICENSE AGREEMENT

Name of contract party	Yahoo Japan Corporation ("Yahoo Japan")
Counterparty	Oath Holdings Inc. (Changed trade name from Yahoo Holdings Inc. on January 1, 2018)
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 by a firm, etc., that Oath Holdings Inc. considered as a competitor; or (iv) merger or acquisition of Yahoo Japan rendering shareholders of Yahoo Japan before such merger or acquisition incapable of maintaining over 50% of shareholder voting rights of Yahoo Japan (may be waived by agreement of Oath Holdings Inc.).
Main details	<p>YAHOO! JAPAN LICENSE AGREEMENT</p> <p>1) Licensing rights granted by Oath Holdings Inc. to Yahoo Japan:</p> <ul style="list-style-type: none">• Non-exclusive rights granted to Yahoo Japan 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 information search services, etc.)• Non-exclusive rights granted to Yahoo Japan for use in Japan of the trademark, etc., of Oath Holdings Inc.• Exclusive rights granted to Yahoo Japan for publishing of the trademark, etc., of Oath Holdings Inc. in Japan• Exclusive rights granted to Yahoo Japan worldwide for development, commercial use, and promotion, etc. of the Japanese version of information search services, etc. <p>2) Non-exclusive rights granted (gratis) to Oath Holdings Inc. worldwide for use of Japanese content added by Yahoo Japan</p> <p>3) Royalties to be paid by Yahoo Japan 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*) - (Cost of sales of consolidated subsidiaries with a different gross margin structure and others)} x 3% * Advertising sales commissions on a consolidated basis</p>
Other	<p>As announced on July 5, 2021, in "Yahoo Japan Corporation Announces Definitive Agreement Regarding Yahoo! Japan License Agreement," Yahoo Japan entered into an agreement (the "Master Agreement") regarding the YAHOO! JAPAN LICENSE AGREEMENT on June 30, 2021. Entered following the previously announced sale of Verizon Media (which is expected to close in the second half of 2021), the Master Agreement states that, upon the closing of the previously announced sale of Verizon Media, Oath Holdings Inc. and Yahoo Japan will enter into new agreements pursuant to which the YAHOO! JAPAN LICENSE AGREEMENT will be terminated.</p> <p>■ Outline of the Master Agreement</p> <ul style="list-style-type: none">• Yahoo Japan acquires the trademark rights related to Yahoo and Yahoo Japan in Japan• Yahoo Japan acquires paid-up perpetual right to use existing licensed technology in Japan, with ongoing technical support during a post-transaction services period• Brand and technology may be used in Japan throughout the ZHD Group• Termination of Yahoo! JAPAN LICENSE AGREEMENT• Consideration for this transaction: JPY 178.5 billion

(4) Risk Factors

Some changes in the major risk factors below have occurred in this cumulative consolidated first 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 herein are those determined by the Z Holdings Group as of the end of this consolidated first 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.

4. Risks related to major agreements and licenses

(1) Risks related to Oath Holdings Inc.

Yahoo Japan Corporation (hereinafter referred to as "Yahoo Japan"), the major group company of the Z Holdings Group, has entered into an agreement with Oath Holdings Inc. Most of the trademark, software, and tools (hereinafter referred to as the "Trademark") used in the operation of the information search services provided by Yahoo Japan are the property of Oath Holdings Inc., and Yahoo Japan conducts business operations through a license obtained for the use of the Trademark. However, in the event that Oath Holdings Inc. does not fulfill the said agreement and does not provide the Trademark, or in the event that the agreement is modified or terminated, the business and the business performance of the Z Holdings Group may be affected.

(Note) Agreement concluded with Oath Holdings Inc. regarding the acquisition of the Trademark

On July 5, 2021, Yahoo Japan announced that it has entered into an agreement (the "Master Agreement") regarding the YAHOO! JAPAN LICENSE AGREEMENT. The Master Agreement states that, upon the closing of the previously announced sale of Verizon Media (which is expected to close in the second half of 2021), Oath Holdings Inc. (a subsidiary of Verizon Media and the counterparty of the existing YAHOO! JAPAN LICENSE AGREEMENT referred to in (1) Risks related to Oath Holdings Inc.) and Yahoo Japan will enter into new agreements pursuant to which the YAHOO! JAPAN LICENSE AGREEMENT will be terminated. This will allow Yahoo Japan to use the Yahoo brand, licensed technologies and other licensed materials without paying ongoing royalties. The new arrangements will also provide the Z Holdings Group with greater flexibility in the use of the Yahoo brand and licensed technology and in the development of its businesses.

■ Outline of the Master Agreement

- Yahoo Japan acquires the trademark rights related to Yahoo and Yahoo Japan in Japan
- Yahoo Japan acquires paid-up perpetual right to use existing licensed technology in Japan, with ongoing technical support during a post-transaction services period
- Brand and technology may be used in Japan throughout the ZHD Group
- Termination of Yahoo! JAPAN LICENSE AGREEMENT
- Consideration for this transaction: JPY 178.5 billion

2 Interim Condensed Consolidated Financial Statements and Significant Notes

(1) Interim Condensed Consolidated Statement of Financial Position

(Millions of yen)

	As of Mar. 31, 2021	As of June 30, 2021	Increase/decrease	
	Amount	Amount	Amount	Change (%)
Assets				
Cash and cash equivalents	1,065,726	1,078,096	12,370	1.2
Call loans in banking business	65,000	100,000	35,000	53.8
Trade and other receivables	480,195	412,983	-67,212	-14.0
Inventories	24,668	23,944	-723	-2.9
Loans in credit card business	407,955	392,115	-15,839	-3.9
Investment securities in banking business	517,984	504,976	-13,007	-2.5
Loans in banking business	247,047	263,527	16,479	6.7
Other financial assets	448,210	483,919	35,708	8.0
Property and equipment	153,240	153,505	264	0.2
Right-of-use assets	150,928	148,845	-2,082	-1.4
Goodwill	1,778,765	1,790,878	12,113	0.7
Intangible assets	1,075,871	1,056,319	-19,552	-1.8
Investments accounted for using the equity method	177,870	184,189	6,318	3.6
Deferred tax assets	39,427	37,329	-2,098	-5.3
Other assets	63,788	62,723	-1,065	-1.7
Total assets	6,696,680	6,693,354	-3,325	-0.0

(Millions of yen)

	As of Mar. 31, 2021	As of June 30, 2021	Increase/decrease	
	Amount	Amount	Amount	Change (%)
Liabilities and equity				
Liabilities				
Trade and other payables	616,681	545,969	-70,712	-11.5
Customer deposits in banking business	1,186,206	1,251,966	65,760	5.5
Interest-bearing liabilities	1,389,563	1,463,224	73,660	5.3
Other financial liabilities	10,759	10,078	-680	-6.3
Income taxes payable	47,024	19,774	-27,249	-57.9
Provisions	33,075	30,270	-2,804	-8.5
Deferred tax liabilities	283,568	279,875	-3,693	-1.3
Other liabilities	140,203	138,090	-2,113	-1.5
Total liabilities	3,707,082	3,739,248	32,165	0.9
Equity				
Equity attributable to owners of the parent				
Common stock	237,724	237,741	17	0.0
Capital surplus	2,063,881	2,054,537	-9,343	-0.5
Retained earnings	362,999	347,702	-15,297	-4.2
Treasury stock	-17,385	-17,385	—	—
Accumulated other comprehensive income	35,098	43,491	8,393	23.9
Total equity attributable to owners of the parent	2,682,318	2,666,088	-16,229	-0.6
Non-controlling interests	307,279	288,017	-19,261	-6.3
Total equity	2,989,597	2,954,106	-35,491	-1.2
Total liabilities and equity	6,696,680	6,693,354	-3,325	-0.0

(2) Interim Condensed Consolidated Statement of Profit or Loss

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021	Increase/decrease	
	Amount	Amount	Amount	Change (%)
Revenue	273,879	373,352	99,472	36.3
Cost of sales	100,450	119,569	19,118	19.0
Selling, general and administrative expenses	122,796	202,397	79,600	64.8
Operating income	50,632	51,385	752	1.5
Other non-operating income	521	10,158	9,636	—
Other non-operating expenses	2,434	3,299	864	35.5
Equity in losses of associates and joint ventures	-3,791	-6,460	-2,668	—
Profit before tax	44,928	51,783	6,855	15.3
Income tax expense	17,385	20,862	3,476	20.0
Profit for the period	27,542	30,921	3,378	12.3
Attributable to:				
Owners of the parent	22,750	26,617	3,866	17.0
Non-controlling interests	4,792	4,303	-488	-10.2
Profit for the period	27,542	30,921	3,378	12.3
Earnings per share attributable to owners of the parent				
Basic (yen)	4.78	3.50	-1.27	-26.6
Diluted (yen)	4.78	3.49	-1.29	-27.0

(3) Interim Condensed Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Profit for the period	27,542	30,921
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	—	10
Equity financial assets measured at FVTOCI	1,179	6,622
Share of other comprehensive income of associates	—	75
Subtotal	1,179	6,708
Items that may be reclassified subsequently to profit or loss		
Debt financial assets measured at FVTOCI	526	375
Exchange differences on translating foreign operations	-269	1,822
Subtotal	256	2,197
Other comprehensive income, net of tax	1,436	8,905
Total comprehensive income	28,979	39,827
Total comprehensive income attributable to:		
Owners of the parent	23,568	35,338
Non-controlling interests	5,410	4,489
Total comprehensive income	28,979	39,827

(4) Interim Condensed Consolidated Statement of Changes in Equity

Three months ended June 30, 2020

(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, 2020	237,422	212,539	330,752	-17,382	8,216	771,548	276,274	1,047,823
Profit for the period			22,750			22,750	4,792	27,542
Other comprehensive income, net of tax					817	817	618	1,436
Total comprehensive income for the period	—	—	22,750	—	817	23,568	5,410	28,979
Transactions with owners and other transactions								
Issue of common stock	14	14				28		28
Payment of dividends			-42,195			-42,195	-2,988	-45,183
Transfer of accumulated other comprehensive income to retained earnings			550		-550	—		—
Purchase of treasury stock				-0		-0		-0
Changes attributable to obtaining or losing control of subsidiaries						—	301	301
Changes in ownership interests in subsidiaries without losing control		49				49	-20	28
Others		-56				-56	31	-24
Total	14	7	-41,644	-0	-550	-42,173	-2,676	-44,849
Balance at June 30, 2020	237,437	212,546	311,858	-17,382	8,483	752,943	279,009	1,031,952

Three months ended June 30, 2021

(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, 2021	237,724	2,063,881	362,999	-17,385	35,098	2,682,318	307,279	2,989,597
Profit for the period			26,617			26,617	4,303	30,921
Other comprehensive income, net of tax					8,720	8,720	185	8,905
Total comprehensive income for the period	—	—	26,617	—	8,720	35,338	4,489	39,827
Transactions with owners and other transactions								
Issue of common stock	17	17				34		34
Payment of dividends			-42,228			-42,228	-4,678	-46,906
Transfer of accumulated other comprehensive income to retained earnings			327		-327	—		—
Changes attributable to obtaining or losing control of subsidiaries						—	-462	-462
Changes in ownership interests in subsidiaries without losing control		-12,051				-12,051	-18,641	-30,692
Share-based payment		2,840				2,840		2,840
Others		-149	-13			-163	31	-131
Total	17	-9,343	-41,914	—	-327	-51,568	-23,750	-75,318
Balance at June 30, 2021	237,741	2,054,537	347,702	-17,385	43,491	2,666,088	288,017	2,954,106

(5) Interim Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
	Amount	Amount
Cash flows from operating activities:		
Profit before tax	44,928	51,783
Depreciation and amortization	24,752	34,344
Equity in losses of associates and joint ventures	3,791	6,460
Increase in call loans in banking business	—	-35,000
Decrease (increase) in trade and other receivables	-10,395	69,031
Decrease in trade and other payables	-11,349	-63,982
Decrease (increase) in loans in credit card business	-725	15,839
Increase in loans in banking business	-3,931	-16,479
Increase in customer deposits in banking business	106,343	65,760
Others	-16,750	-26,609
Subtotal	136,664	101,148
Interest and dividends received	440	692
Interest paid	-1,516	-2,066
Income taxes—paid	-136,499	-47,015
Net cash generated by (used in) operating activities	-911	52,759
Cash flows from investing activities:		
Purchase of investment securities in banking business	-68,951	-56,505
Proceeds from sales/redemption of investment securities in banking business	61,411	70,357
Purchase of other investments	-2,964	-27,075
Proceeds from sales/redemption of investments	250	8,144
Purchase of property and equipment	-7,525	-12,183
Purchase of intangible assets	-11,441	-11,720
Others	-8,149	-760
Net cash used in investing activities	-37,370	-29,741
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	-93,400	23,899
Purchase of treasury stock of consolidated subsidiary	—	-31,997
Proceeds from issuance of commercial papers	—	75,500
Payment for redemption of commercial papers	—	-21,000
Dividends paid	-42,216	-42,247
Repayment of lease liabilities	-6,935	-10,010
Others	203,255	-5,279
Net cash used in (generated by) financing activities	60,702	-11,135
Effects of exchange rate changes on cash and cash equivalents	56	487
Net increase in cash and cash equivalents	22,477	12,370
Cash and cash equivalents at the beginning of the period	880,100	1,065,726
Cash and cash equivalents at the end of the period	902,578	1,078,096

(6) Notes to Interim Condensed Consolidated Financial Statements

1. Going Concern Assumption

Not applicable.

2. Use of Estimates and Judgments

In preparing the consolidated financial statements under IFRS, the 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 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 first 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, there will be certain uncertainties in the estimates, such as affecting the Group's future earnings and cash flows. In this situation, we reasonably estimate and recognize the amount on the evaluation of impairment of goodwill, property and equipment, right-of-use assets and intangible assets, and on the evaluation of fair value of investments and expected credit losses related to receivables, etc. When we make the estimates, we take into consideration 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 period. 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.

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.