

Results for the Six Months Ended September 30, 2021 (FY2021-2Q) [IFRSs]

November 2, 2021

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, Co-CEO Tel: 03-6779-4900
 Contact: Ryosuke Sakaue, Senior Managing Corporate Officer, GCFO

Scheduled Securities Report Submission Date: November 9, 2021 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 FY2021-2Q (April 1, 2021 - September 30, 2021)

(1) Consolidated Business Performance (April 1, 2021 - September 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 (%)
Six-month period ended Sept. 30, 2021	750,962 (34.8)	115,469 (17.5)	106,060 (22.3)	62,482 (14.5)	54,226 (18.3)	70,580 (22.8)
Six-month period ended Sept. 30, 2020	557,223 (15.1)	98,237 (29.8)	86,748 (14.8)	54,570 (3.8)	45,837 (-10.4)	57,478 (10.9)
	Adjusted EBITDA	Adjusted earnings per share	Basic earnings per share	Diluted earnings per share		
	Millions of yen (%)	Yen (%)	Yen	Yen		
Six-month period ended Sept. 30, 2021	187,189 (23.1)	7.56 (-26.9)	7.14	7.10		
Six-month period ended Sept. 30, 2020	152,103 (35.6)	10.35 (-0.9)	9.62	9.62		

(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 Sept. 30, 2021	6,886,744	2,998,499	2,699,788	39.2
As of March 31, 2021	6,691,328	2,989,597	2,682,318	40.1

(Note) The consolidated financial statements of the fiscal year ended March 31, 2021 have been retroactively revised with the finalization of the provisional accounting made in the consolidated second quarter of the fiscal year ending March 31, 2022 in connection with the business combination.

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	—	0.00			
Fiscal year ending March 31, 2022 (Estimates)			—	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 Six Months (Attachments).

* Notes

- (1) Changes in significant subsidiaries during the period under review (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 Sept. 30, 2021	7,656,319,295 shares
As of March 31, 2021	7,655,201,395 shares
 - 2) Number of shares of treasury stocks

As of Sept. 30, 2021	60,182,034 shares
As of March 31, 2021	60,141,521 shares
 - 3) Average number of common stocks outstanding (quarterly cumulative)

As of Sept. 30, 2021	7,595,534,223 shares
As of Sept. 30, 2020	4,762,966,848 shares
- (4) Formula for each management index
- Adjusted EBITDA: Operating income + Depreciation & amortization ± EBITDA adjustment items (*1)
 - Adjusted earnings per share: 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 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 the management. For a variety of reasons, actual performance, etc., could differ significantly from the estimates.
- 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.

○ 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	6
	(3) Significant Contracts	7
	(4) Risk Factors	9
2	Interim Condensed Consolidated Financial Statements and Significant Notes	10
	(1) Interim Condensed Consolidated Statement of Financial Position	10
	(2) Interim Condensed Consolidated Statement of Profit or Loss	12
	(3) Interim Condensed Consolidated Statement of Comprehensive Income	13
	(4) Interim Condensed Consolidated Statement of Changes in Equity	14
	(5) Interim Condensed Consolidated Statement of Cash Flows	16
	(6) Notes to Interim Condensed Consolidated Financial Statements	17

1 Qualitative Information Regarding the Consolidated Operating Results

(1) Qualitative Information Regarding the Consolidated Business Performance

1. Business Results Summary (April 1, 2021 to Sept. 30, 2021)

<ul style="list-style-type: none"> ■ Highlights • Revenue of 750.9 billion yen (up 34.8% year on year); Adjusted EBITDA of 187.1 billion yen (up 23.1% year on year) • Marked the highest cumulative consolidated second quarter results for both due to the business integration with LINE Corporation, and steady progress in post merger integration (PMI), etc.
--

	Six months ended Sept. 30, 2020 (yen)	Six months ended Sept. 30, 2021 (yen)	Year-on-Year Change (yen)	Year-on-Year Change (%)
Revenue	557.2 billion	750.9 billion	+193.7 billion	+34.8%
Adjusted EBITDA	152.1 billion	187.1 billion	+35.0 billion	+23.1%

The revenue for the cumulative consolidated second quarter of the fiscal year ending March 31, 2022 amounted to 750.9 billion yen (up 34.8% year on year), resulting in the highest cumulative consolidated second 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.

Adjusted EBITDA increased 23.1% year on year, to 187.1 billion yen, resulting in the highest cumulative consolidated second quarter result, due to revenue growth as well as gain on sale of shares of YJFX, Inc. (*1).

(*1) YJFX, Inc. changed its trade name to Gaika ex byGMO, Inc. on September 27, 2021.

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

Z Holdings Corporation has changed its reporting segments according to the phase of growth of each business, commencing from the 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, O2O, 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

	Six months ended Sept. 30, 2020 (yen)	Six months ended Sept. 30, 2021 (yen)	Year-on-Year Change (yen)	Year-on-Year Change (%)
Media Business				
Revenue	158.9 billion	303.4 billion	+144.4 billion	+90.9%
Adjusted EBITDA	72.4 billion	127.7 billion	+55.3 billion	+76.4%
Commerce Business				
Revenue	353.4 billion	388.6 billion	+35.1 billion	+10.0%
Adjusted EBITDA	80.8 billion	71.4 billion	-9.4 billion	-11.7%
Strategic Business				
Revenue	41.4 billion	57.8 billion	+16.4 billion	+39.6%
Adjusted EBITDA	10.1 billion	3.4 billion	-6.6 billion	-65.9%
Others				
Revenue	8.1 billion	9.8 billion	+1.6 billion	+20.5%
Adjusted EBITDA/loss	3.0 billion	-4.2 billion	-7.3 billion	—
Adjustments				
Revenue	-4.8 billion	-8.7 billion	—	—
Adjusted EBITDA	-14.3 billion	-11.1 billion	—	—
Total				
Revenue	557.2 billion	750.9 billion	+193.7 billion	+34.8%
Adjusted EBITDA	152.1 billion	187.1 billion	+35.0 billion	+23.1%

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

1) Media Business in the Cumulative Consolidated Second Quarter

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.

Yahoo Japan Corporation saw a year-on-year increase mainly in Search advertising because it captured the demand recovery in the overall market and product improvement, etc., while LINE Corporation saw a year-on-year increase mainly in Display ads contributed by continuous improvement of distribution accuracy and expansion of advertisers through new client development, etc.

As a result, revenue of the Media Business of the cumulative consolidated second quarter amounted to 303.4 billion yen, increasing 90.9% year on year. Adjusted EBITDA increased 76.4% year on year, to 127.7 billion yen. The revenue of the Media Business accounted for 40.4% of total revenue.

2) Commerce Business in the Cumulative Consolidated Second 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 the ASKUL Group and ZOZO, Inc., etc.

In addition, e-commerce transaction value (*2) amounted to 1.6614 trillion yen, increasing 11.3% year on year. Out of the e-commerce transaction value, merchandise EC transaction value amounted to 1.3768 trillion yen, increasing 9.8% year on year.

As a result, revenue of the Commerce Business of the cumulative consolidated second quarter amounted to 388.6 billion yen, increasing 10.0% year on year. Adjusted EBITDA decreased 11.7% year on year, to 71.4 billion yen. The revenue of the Commerce Business accounted for 51.8% of total revenue.

(*2) 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. included in Others of Media Business.

3) Strategic Business in the Cumulative Consolidated Second 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 2.4452 trillion yen (up 67.5% year on year), showing steady performance due to increase in the number of PayPay payments attributed to the growing number of users and use. Credit Card transaction volume of PayPay Card Corporation (*3) steadily increased to 1.3622 trillion yen (up 19.5% year on year) and number of PayPay Bank (*4) accounts, to 5.65 million (up 17.2% year on year).

As a result, revenue of the Strategic Business of the cumulative consolidated second quarter amounted to 57.8 billion yen, increasing 39.6% year on year. The revenue of the Strategic Business accounted for 7.7% of total revenue.

(*3) PayPay Card Corporation changed its trade name from YJ Card Corporation on October 1, 2021.

(*4) 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, ZOZUSED
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	PayPay Card (*3)		—	
		PayPay Bank (*4)		—	
		Other fintech		PayPay Asset Management, PayPay Insurance, MagneMax, LINE Pay, LINE Securities, LINE Score, LINE Pocket Money, LINE BITMAX, etc.	
	Others		AI, LINE Search, LINE Healthcare, etc.		

(*3) PayPay Card Corporation changed its trade name from YJ Card Corporation on October 1, 2021.

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

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 yen (up 26.1 - 30.2% year on year) and adjusted EBITDA of 303.0 – 313.0 billion yen (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

Since Z Holdings Corporation finalized the provisional accounting in this consolidated second quarter in connection with the business combination and revised the provisionally measured fair values, it revised the financial figures of the previous consolidated fiscal year. Accordingly, year-on-year comparison is made using the retroactively revised figures.

1. Assets, Liabilities and Equity

1) Assets

Total assets at the end of this consolidated second quarter amounted to 6,886,744 million yen, increasing 195,415 million yen, or 2.9%, 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.
- 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, and the exclusion of YJFX, Inc. (now Gaika ex byGMO, Inc.) from the consolidation.
- Intangible assets increased from the end of fiscal 2020 due to Yahoo Japan Corporation’s acquisition of the trademark rights related to “Yahoo” and “Yahoo Japan” in Japan.

2) Liabilities

Total liabilities at the end of this consolidated second quarter were 3,888,245 million yen, increasing 186,514 million yen, or 5.0%, 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, and the exclusion of YJFX, Inc. (now Gaika ex byGMO, Inc.) from the consolidation.
- 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 increase in borrowings, increase from the issuance of corporate bonds, and increase from the issuance of commercial papers.

3) Equity

Total equity at the end of this consolidated second quarter amounted to 2,998,499 million yen, increasing 8,901 million yen, or 0.3%, from the end of fiscal 2020. The primary reasons for change in equity were as follows:

- Retained earnings increased from the end of fiscal 2020 as a result of the recognition of profit for the period attributable to owners of the parent, despite decrease due to the payment of dividends.
- 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 second quarter, cash and cash equivalents amounted to 1,196,325 million yen, up 130,598 million yen from the end of fiscal 2020, out of which deposit with the Bank of Japan for banking business was 461,743 million yen.

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 256,529 million yen 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 289,086 million yen, chiefly due to the acquisitions of intangible assets and shares.

Cash flows from financing activities amounted to a cash inflow of 161,790 million yen, attributed mainly to proceeds from long-term borrowing, issuance of corporate bonds, and the issuance and redemption of commercial papers, despite the repayments of long-term borrowing and short-term borrowing, as well as the payment of dividends.

(3) Significant Contracts

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

1. Definitive agreements on the buy-out of YAHOO! JAPAN LICENSE AGREEMENT

Outline	<p>As announced on the website on September 7, 2021 in "Yahoo Japan Corporation Announces Entry Into Definitive Agreements with Oath Inc. and Oath Holdings Inc. Regarding Buy-Out of Yahoo! Japan License Agreement," Yahoo Japan entered into definitive agreements (the "Definitive Agreements") regarding the Yahoo! Japan License Agreement as of September 7, 2021. Based on the Definitive Agreements, all royalty payments pursuant to the YAHOO! JAPAN LICENSE AGREEMENT have been terminated. Furthermore, there are no changes to the terms and conditions, etc., agreed in the Master Agreement announced in the notice, "Yahoo Japan Corporation Announces Definitive Agreement Regarding Yahoo! Japan License Agreement," released on the website on July 5, 2021.</p> <p>■ Outline of the Definitive Agreements</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: 178.5 billion yen
---------	---

[Reference: Outline of the terminated 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 $\{(Revenue) - (Advertising\ sales\ commissions^*) - (Cost\ of\ sales\ of\ consolidated\ subsidiaries\ with\ a\ different\ gross\ margin\ structure\ and\ others)\} \times 3\%$ * Advertising sales commissions on a consolidated basis</p>
--------------	---

2. 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 its 22 financial institutions, with LINE, NAVER Corporation, and Mizuho Bank, Ltd. acting as administrative agents, on September 30, 2021. Due to the full repayment by the borrower, the loan agreement and guarantee agreement were terminated as of September 30, 2021.

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

The Company provides a joint guarantee to the respective financial institutions on LINE’s loans, Tranche B (68.6 billion yen) and Tranche D (5.7 billion yen). 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 has become a consolidated subsidiary of the Company due to the business integration; former LINE Demerger Preparatory Company which has succeeded 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 the period 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 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 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.

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, had concluded the YAHOO! JAPAN LICENSE 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 were the property of Oath Holdings Inc., and Yahoo Japan had conducted business operations through a license obtained for the use, etc., of the Trademark. However, Yahoo Japan announced on September 7, 2021 that it had entered into definitive agreements ("the Agreements") with Oath Inc. and Oath Holdings Inc. to terminate the YAHOO! JAPAN LICENSE AGREEMENT and perform a buy-out of the Yahoo Japan brand. This has allowed Yahoo Japan to use the Yahoo brand, licensed technologies and other licensed materials. The new arrangements have also provided the Z Holdings Group with greater flexibility in the use of the Yahoo brand and licensed technology and in the development of its businesses. For confirmation, the YAHOO! JAPAN LICENSE AGREEMENT was terminated on September 22, 2021 based on the Agreements.

■ 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: 178.5 billion yen

* The intangible assets that fall under the trademark rights acquired under the Agreements are classified as intangible assets with an indefinite useful life, as the Company has adopted IFRS in the consolidated financial statements. Therefore there are no immediate impacts on full-year guidance for the fiscal year 2021 announced on April 28, 2021, however it is considered to contribute to an improvement of corporate value in the medium to long term. In addition, any matters that should be disclosed in the future will be announced promptly.

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 Sept. 30, 2021	Increase/decrease	
	Amount	Amount	Amount	Change (%)
Assets				
Cash and cash equivalents	1,065,726	1,196,325	130,598	12.3
Call loans in banking business	65,000	35,000	-30,000	-46.2
Trade and other receivables	480,195	308,553	-171,642	-35.7
Inventories	24,668	22,575	-2,092	-8.5
Loans in credit card business	407,955	392,978	-14,976	-3.7
Investment securities in banking business	517,984	501,687	-16,296	-3.1
Loans in banking business	247,047	287,232	40,184	16.3
Other financial assets	448,210	480,657	32,447	7.2
Property and equipment	150,478	159,726	9,247	6.1
Right-of-use assets	150,928	170,433	19,505	12.9
Goodwill	1,790,487	1,788,738	-1,748	-0.1
Intangible assets	1,061,780	1,229,496	167,716	15.8
Investments accounted for using the equity method	177,650	210,687	33,036	18.6
Deferred tax assets	39,427	37,555	-1,871	-4.7
Other assets	63,788	65,097	1,309	2.1
Total assets	6,691,328	6,886,744	195,415	2.9

(Millions of yen)

	As of Mar. 31, 2021	As of Sept. 30, 2021	Increase/decrease	
	Amount	Amount	Amount	Change (%)
Liabilities and equity				
Liabilities				
Trade and other payables	616,681	434,453	-182,227	-29.5
Customer deposits in banking business	1,186,206	1,314,934	128,728	10.9
Interest-bearing liabilities	1,389,563	1,655,711	266,147	19.2
Other financial liabilities	10,759	7,412	-3,346	-31.1
Income taxes payable	47,024	39,521	-7,502	-16.0
Provisions	33,075	27,397	-5,677	-17.2
Deferred tax liabilities	278,216	277,415	-801	-0.3
Other liabilities	140,203	131,398	-8,805	-6.3
Total liabilities	3,701,730	3,888,245	186,514	5.0
Equity				
Equity attributable to owners of the parent				
Common stock	237,724	237,977	253	0.1
Capital surplus	2,063,881	2,061,146	-2,735	-0.1
Retained earnings	362,999	375,771	12,771	3.5
Treasury stock	-17,385	-17,385	-0	—
Accumulated other comprehensive income	35,098	42,278	7,180	20.5
Total equity attributable to owners of the parent	2,682,318	2,699,788	17,470	0.7
Non-controlling interests	307,279	298,710	-8,568	-2.8
Total equity	2,989,597	2,998,499	8,901	0.3
Total liabilities and equity	6,691,328	6,886,744	195,415	2.9

(2) Interim Condensed Consolidated Statement of Profit or Loss

(Millions of yen)

	Six months ended Sept. 30, 2020	Six months ended Sept. 30, 2021	Increase/decrease	
	Amount	Amount	Amount	Change (%)
Revenue	557,223	750,962	193,738	34.8
Cost of sales	205,533	240,018	34,484	16.8
Selling, general and administrative expenses	253,453	410,497	157,044	62.0
Gain on sale of shares of subsidiaries	—	15,022	15,022	—
Operating income	98,237	115,469	17,232	17.5
Other non-operating income	1,326	14,957	13,630	—
Other non-operating expenses	5,579	6,968	1,388	24.9
Equity in losses of associates and joint ventures	-7,235	-17,398	-10,162	—
Profit before tax	86,748	106,060	19,312	22.3
Income tax expense	32,178	43,577	11,399	35.4
Profit for the period	54,570	62,482	7,912	14.5
Attributable to:				
Owners of the parent	45,837	54,226	8,388	18.3
Non-controlling interests	8,732	8,256	-475	-5.4
Profit for the period	54,570	62,482	7,912	14.5
Earnings per share attributable to owners of the parent				
Basic (yen)	9.62	7.14	-2.48	-25.8
Diluted (yen)	9.62	7.10	-2.52	-26.2

(3) Interim Condensed Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six months ended Sept. 30, 2020	Six months ended Sept. 30, 2021
Profit for the period	54,570	62,482
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	—	15
Equity financial assets measured at FVTOCI	2,891	5,917
Share of other comprehensive income of associates	—	300
Subtotal	2,891	6,233
Items that may be reclassified subsequently to profit or loss		
Debt financial assets measured at FVTOCI	798	231
Exchange differences on translating foreign operations	-780	1,633
Subtotal	17	1,864
Other comprehensive income, net of tax	2,908	8,098
Total comprehensive income	57,478	70,580
Total comprehensive income attributable to:		
Owners of the parent	48,013	62,183
Non-controlling interests	9,465	8,397
Total comprehensive income	57,478	70,580

(4) Interim Condensed Consolidated Statement of Changes in Equity

Six months ended Sept. 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			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

Six months ended Sept. 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			54,226			54,226	8,256	62,482
Other comprehensive income, net of tax					7,957	7,957	140	8,098
Total comprehensive income for the period	—	—	54,226	—	7,957	62,183	8,397	70,580
Transactions with owners and other transactions								
Issue of common stock	253	253				506		506
Payment of dividends			-42,228			-42,228	-5,788	-48,016
Transfer of accumulated other comprehensive income to retained earnings			776		-776	—		—
Purchase of treasury stock				-0		-0		-0
Changes attributable to obtaining or losing control of subsidiaries						—	-462	-462
Changes in ownership interests in subsidiaries without losing control		-8,487				-8,487	-10,728	-19,215
Share-based payment		5,640				5,640		5,640
Others		-141	-2			-143	12	-131
Total	253	-2,735	-41,454	-0	-776	-44,712	-16,966	-61,679
Balance at Sept. 30, 2021	237,977	2,061,146	375,771	-17,385	42,278	2,699,788	298,710	2,998,499

(5) Interim Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended Sept. 30, 2020	Six months ended Sept. 30, 2021
	Amount	Amount
Cash flows from operating activities:		
Profit before tax	86,748	106,060
Depreciation and amortization	48,897	67,110
Gain on sale of shares of subsidiaries	—	-15,022
Equity in losses of associates and joint ventures	7,235	17,398
Decrease (increase) in call loans in banking business	-15,000	30,000
Decrease in trade and other receivables	10,259	72,354
Decrease in trade and other payables	-18,039	-74,687
Decrease in loans in credit card business	4,450	14,976
Increase in loans in banking business	-12,681	-40,184
Increase in customer deposits in banking business	188,356	128,728
Others	-51,585	7,108
Subtotal	248,641	313,841
Interest and dividends received	662	1,161
Interest paid	-2,835	-6,412
Income taxes—paid	-26,449	-52,060
Net cash generated by operating activities	220,018	256,529
Cash flows from investing activities:		
Purchase of investment securities in banking business	-179,850	-113,981
Proceeds from sales/redemption of investment securities in banking business	127,097	135,652
Purchase of other investments	-10,413	-108,541
Purchase of property and equipment	-13,578	-28,107
Purchase of intangible assets	-22,888	-199,993
Proceeds from losing of control over subsidiary	—	16,122
Others	-1,842	9,762
Net cash used in investing activities	-101,476	-289,086
Cash flows from financing activities:		
Net decrease in short-term borrowings	-89,670	-44,588
Proceeds from long-term bank loans	22,785	165,192
Repayments of long-term borrowings	-3,476	-101,760
Proceeds from sale of treasury stock of subsidiaries	201	11,147
Purchase of treasury stock of consolidated subsidiaries	-0	-31,997
Proceeds from issuance of corporate bonds	199,367	100,000
Proceeds from issuance of commercial papers	—	253,500
Payment for redemption of commercial papers	—	-122,500
Dividends paid	-42,181	-42,219
Repayment of lease liabilities	-13,828	-20,064
Others	-4,333	-4,917
Net cash generated by financing activities	68,863	161,790
Effects of exchange rate changes on cash and cash equivalents	-81	1,364
Net increase in cash and cash equivalents	187,324	130,598
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	1,067,425	1,196,325

(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 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, 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.

3. Business Combination

This cumulative consolidated second quarter of the fiscal year ending March 31, 2022 (April 1, 2021 – September 30, 2021)

LINE Corporation

(Adjustment to the provisional amount)

Z Holdings Corporation obtained control of LINE Corporation on March 1, 2021. Consideration transferred is allocated to acquired assets and assumed liabilities based on the fair value on the acquisition date. Since allocation of the consideration transferred was completed in this consolidated second quarter, the consolidated financial statements of the previous fiscal year have been retroactively revised.

Primary impacts on the assets acquired and the liabilities assumed on the Consolidated Statement of Financial Position of the previous fiscal year pursuant to the retroactive correction were as follows: decrease in property and equipment of 2,762 million yen, decrease in intangible assets including identifiable intangible assets of 14,091 million yen, decrease in deferred tax liabilities of 5,351 million yen and increase in goodwill of 11,722 million yen. In addition, impacts on the Consolidated Statement of Profit or Loss of the previous fiscal year were minor.

1) Fair value of consideration paid, assets acquired and liabilities assumed; non-controlling interests and goodwill; as of the date of acquisition

(Millions of yen)

Fair value of consideration paid Common shares, etc., of the Company issued on the date of acquisition *1	1,850,494
Fair value of assets acquired and liabilities assumed	
Assets	1,042,727
Cash and cash equivalents	177,082
Trade and other receivables	62,223
Property and equipment	21,904
Right-of-use assets	62,939
Intangible assets *2	395,947
Investments accounted for using equity method	174,281
Others	148,348
Liabilities	-560,249
Trade and other payables	-87,700
Interest-bearing liabilities	-244,248
Deferred tax liabilities	-150,503
Others	-77,796
Net assets	482,478
Non-controlling interests *3	-16,968
Goodwill *4	1,384,985
Total	1,850,494

Notes: 1. Common shares issued on the date of acquisition are measured at the amount evaluated with the closing price on the date just before the acquisition. Consideration paid includes alternative compensation for the business combination.

2. Intangible assets

Include identifiable intangible assets of 394,413 million yen. The following table shows the breakdown. For clarification purposes, the estimated useful life of customer base is 12 – 18 years; the estimated useful life of technology-based intangible assets is eight years; trademark rights are classified as indefinite-lived intangible assets.

In addition, the amount of intangible assets recognized from the business combination is measured based on assumptions such as estimated future cash flow, discount rate, diminishing rate of existing customers, future revenue forecast generated by subject trademark rights, and royalty rate.

	(Millions of yen)
Customer base	232,019
Technology-based intangible assets	2,278
Trademark right	160,116
Total	394,413

3. Non-controlling interests

Non-controlling interests belong to the subsidiaries of LINE Corporation (formerly LINE Demerger Preparatory Company) and are measured by multiplying the subsidiaries' identifiable net assets on the date of acquisition by non-controlling interest ratio after the business combination.

4. Goodwill

Goodwill reflects the future excess earning power expected to be derived from future business development and synergies between the Group and the acquired company.

4. Gain on sale of shares of subsidiaries

The gain on sale of shares of subsidiaries was attributed to the sale of all shares of YJFX, Inc. (now Gaika ex byGMO, Inc.) to GMO Financial Holdings, Inc. The transfer price was 28,729 million yen.

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.