

Results for the Nine Months Ended December 31, 2021 (FY2021-3Q) [IFRSs]

February 2, 2022

Company Name: Z Holdings Corporation Share Listings: 1st section of TSE
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Scheduled Securities Report Submission Date: February 7, 2022 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 FY2021-3Q (April 1, 2021 - December 31, 2021)

(1) Consolidated Business Performance (April 1, 2021 - December 31, 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 (%)
Nine-month period ended Dec. 31, 2021	1,160,136 (32.8)	176,515 (24.1)	136,212 (6.8)	80,263 (-2.3)	66,821 (-0.1)	101,571 (-10.5)
Nine-month period ended Dec. 31, 2020	873,815 (15.0)	142,226 (15.1)	127,562 (10.0)	82,150 (3.2)	66,869 (-10.9)	113,509 (45.2)

	Adjusted EBITDA	Adjusted earnings per share	Basic earnings per share	Diluted earnings per share
	Millions of yen (%)	Yen (%)	Yen	Yen
Nine-month period ended Dec. 31, 2021	285,118 (23.4)	9.54 (-40.9)	8.80	8.74
Nine-month period ended Dec. 31, 2020	231,094 (26.5)	16.13 (3.9)	14.04	14.04

(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 Dec. 31, 2021	7,119,898	3,028,976	2,728,748	38.3
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)

	Revenue		Adjusted EBITDA	
	Millions of yen	%	Millions of yen	%
FY2021	1,570,000	(30.2)	Over 330,000	(Over 11.9)

(Note) Revision in performance estimates previously announced: Yes

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 6 of the Results for the Nine 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 Dec. 31, 2021	7,656,331,895 shares
As of March 31, 2021	7,655,201,395 shares
 - 2) Number of shares of treasury stocks

As of Dec. 31, 2021	60,187,534 shares
As of March 31, 2021	60,141,521 shares
 - 3) Average number of common stocks outstanding (quarterly cumulative)

As of Dec. 31, 2021	7,595,737,431 shares
As of Dec. 31, 2020	4,763,219,711 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 Nine 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.
- Z Holdings Corporation will transition to the Prime Market from April 4, 2022, as per the selection results of the new market segments announced by Tokyo Stock Exchange, Inc. on January 11, 2022.

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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 Dec. 31, 2021)

<ul style="list-style-type: none"> ■ Highlights • Revenue of 1,160.1 billion yen (up 32.8% year on year); Adjusted EBITDA of 285.1 billion yen (up 23.4% year on year) • Marked the highest revenue, led by the advertising business. • Adjusted EBITDA in the outlook for fiscal 2021 revised upward to over 330.0 billion yen.
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	Nine months ended Dec. 31, 2020 (yen)	Nine months ended Dec. 31, 2021 (yen)	Year-on-Year Change (yen)	Year-on-Year Change (%)
Revenue	873.8 billion	1,160.1 billion	+286.3 billion	+32.8%
Adjusted EBITDA	231.0 billion	285.1 billion	+54.0 billion	+23.4%

The revenue for the cumulative consolidated third quarter of the fiscal year ending March 31, 2022 amounted to 1,160.1 billion yen (up 32.8% year on year), resulting in the highest cumulative consolidated third quarter revenue. This was due to: significant growth due to the consolidation of LINE Corporation as a result of the business integration in March 2021; growth in total advertising revenue due to the recovery in advertisers' demand; and revenue growth in Commerce Business, etc.

Adjusted EBITDA increased 23.4% year on year, to 285.1 billion yen, resulting in the highest cumulative consolidated third quarter result, due to revenue growth as well as gain on sale of shares of YJFX, Inc. (*1) and the elimination of the royalties payment accompanying the termination of the YAHOO! JAPAN LICENSE AGREEMENT.

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

2. Segment Business Results Summary (April 1, 2021 – Dec. 31, 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

	Nine months ended Dec. 31, 2020 (yen)	Nine months ended Dec. 31, 2021 (yen)	Year-on-Year Change (yen)	Year-on-Year Change (%)
Media Business				
Revenue	249.4 billion	470.4 billion	+221.0 billion	+88.6%
Adjusted EBITDA	112.8 billion	200.1 billion	+87.3 billion	+77.4%
Commerce Business				
Revenue	555.4 billion	602.2 billion	+46.7 billion	+8.4%
Adjusted EBITDA	126.2 billion	110.9 billion	-15.3 billion	-12.2%
Strategic Business				
Revenue	64.1 billion	86.9 billion	+22.7 billion	+35.5%
Adjusted EBITDA/loss	14.2 billion	-2.4 billion	-16.7 billion	—
Others				
Revenue	12.9 billion	16.1 billion	+3.2 billion	+25.4%
Adjusted EBITDA/loss	5.0 billion	-2.4 billion	-7.5 billion	—
Adjustments				
Revenue	-8.0 billion	-15.7 billion	—	—
Adjusted EBITDA	-27.3 billion	-21.0 billion	—	—
Total				
Revenue	873.8 billion	1,160.1 billion	+286.3 billion	+32.8%
Adjusted EBITDA	231.0 billion	285.1 billion	+54.0 billion	+23.4%

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

1) Media Business in the Cumulative Consolidated Third 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 significant year-on-year increase contributed by the increase in demand from advertisers in Display ads and steady growth in the number of accounts opened in Account ads, etc.

As a result, revenue of the Media Business of the cumulative consolidated third quarter amounted to 470.4 billion yen, increasing 88.6% year on year. Adjusted EBITDA increased 77.4% year on year, to 200.1 billion yen. The revenue of the Media Business accounted for 40.6% of total revenue.

2) Commerce Business in the Cumulative Consolidated Third 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, revenue increase in the ZOZO Group and the ASKUL Group, etc.

In addition, e-commerce transaction value (*2) amounted to 2.6389 trillion yen, increasing 9.5% year on year. Out of the e-commerce transaction value, merchandise EC transaction value amounted to 2.1797 trillion yen, increasing 11.7% year on year.

As a result, revenue of the Commerce Business of the cumulative consolidated third quarter amounted to 602.2 billion yen, increasing 8.4% year on year. Adjusted EBITDA decreased 12.2% year on year, to 110.9 billion yen. The revenue of the Commerce Business accounted for 51.9% 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 Third 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 growth in the fintech field.

For confirmation, PayPay GMV amounted to 3.9131 trillion yen (up 72.7% 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 2.1349 trillion yen (up 18.8% year on year) and number of PayPay Bank (*4) accounts, to 5.81 million (up 17.4% year on year).

As a result, revenue of the Strategic Business of the cumulative consolidated third quarter amounted to 86.9 billion yen, increasing 35.5% year on year. The revenue of the Strategic Business accounted for 7.5% 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		LINE VOOM, LINE NEWS, Chat List, Talk Head View, Talk Head View Custom, 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	
Reuse business			YAHUOKU!, PayPay Flea Market, ZOZOUSED	
ASKUL non-consolidated online BtoB business			ASKUL, SOLOEL ARENA, etc.	
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)

Due to the favorable advertising business, the outlook for the consolidated revenue for the fiscal year ending March 31, 2022 is expected to be 1.57 trillion yen (up 30.2% year on year), the upper value of the outlook, 1.52 – 1.57 trillion yen previously announced on April 28, 2021. Adjusted EBITDA for the fiscal year ending March 31, 2022 will also be revised to over 330.0 billion yen (up 11.9% year on year or higher) from the previously announced 303.0 – 313.0 billion yen due to income increase resulting from an upswing in advertising business, improvement in expenditures, decrease in fixed costs, etc.

	Revenue	Adjusted EBITDA
	(Millions of yen)	(Millions of yen)
Previously announced outlook (A) (Announced on April 28, 2021)	1,520,000 - 1,570,000	303,000 - 313,000
Revised outlook (B)	1,570,000	Over 330,000
Change (B – A)	0 - 50,000	17,000 - over 27,000
Change (%)	0.0 - 3.3	5.4 - over 8.9
(Reference) Actual results in the previous consolidated fiscal year (Fiscal year ended March 31, 2021)	1,205,846	294,837

(2) Qualitative Information Regarding the Consolidated Financial Position

Since Z Holdings Corporation finalized the provisional accounting in the consolidated second quarter of the fiscal year ending March 31, 2022 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 third quarter amounted to 7,119,898 million yen, increasing 428,570 million yen, or 6.4%, 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 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 third quarter were 4,090,922 million yen, increasing 389,191 million yen, or 10.5%, 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 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 third quarter amounted to 3,028,976 million yen, increasing 39,378 million yen, or 1.3%, 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.
- 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 third quarter, cash and cash equivalents amounted to 1,235,676 million yen, up 169,949 million yen from the end of fiscal 2020, out of which deposit with the Bank of Japan for banking business was 371,837 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 298,623 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 308,711 million yen, chiefly due to the acquisitions of intangible assets and shares.

Cash flows from financing activities amounted to a cash inflow of 175,949 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

There were no significant contracts, etc., that were concluded or revised in the consolidated third quarter of the fiscal year ending March 31, 2022.

(4) Risk Factors

Some changes in the major risk factors below have occurred in this cumulative consolidated third 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 third 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 continue using 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

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 Dec. 31, 2021	Increase/decrease	
	Amount	Amount	Amount	Change (%)
Assets				
Cash and cash equivalents	1,065,726	1,235,676	169,949	15.9
Call loans in banking business	65,000	80,000	15,000	23.1
Trade and other receivables	480,195	362,393	-117,801	-24.5
Inventories	24,668	25,537	869	3.5
Loans in credit card business	407,955	460,489	52,534	12.9
Investment securities in banking business	517,984	495,521	-22,462	-4.3
Loans in banking business	247,047	319,449	72,402	29.3
Other financial assets	448,210	501,647	53,436	11.9
Property and equipment	150,478	162,918	12,440	8.3
Right-of-use assets	150,928	162,324	11,395	7.6
Goodwill	1,790,487	1,788,760	-1,726	-0.1
Intangible assets	1,061,780	1,224,397	162,616	15.3
Investments accounted for using the equity method	177,650	191,939	14,288	8.0
Deferred tax assets	39,427	29,615	-9,811	-24.9
Other assets	63,788	79,226	15,438	24.2
Total assets	6,691,328	7,119,898	428,570	6.4

(Millions of yen)

	As of Mar. 31, 2021	As of Dec. 31, 2021	Increase/decrease	
	Amount	Amount	Amount	Change (%)
Liabilities and equity				
Liabilities				
Trade and other payables	616,681	521,358	-95,323	-15.5
Customer deposits in banking business	1,186,206	1,409,870	223,664	18.9
Interest-bearing liabilities	1,389,563	1,674,357	284,793	20.5
Other financial liabilities	10,759	7,931	-2,827	-26.3
Income taxes payable	47,024	25,264	-21,759	-46.3
Provisions	33,075	27,991	-5,083	-15.4
Deferred tax liabilities	278,216	268,890	-9,325	-3.4
Other liabilities	140,203	155,257	15,053	10.7
Total liabilities	3,701,730	4,090,922	389,191	10.5
Equity				
Equity attributable to owners of the parent				
Common stock	237,724	237,979	255	0.1
Capital surplus	2,063,881	2,064,535	654	0.0
Retained earnings	362,999	388,114	25,115	6.9
Treasury stock	-17,385	-17,385	-0	—
Accumulated other comprehensive income	35,098	55,503	20,404	58.1
Total equity attributable to owners of the parent	2,682,318	2,728,748	46,430	1.7
Non-controlling interests	307,279	300,227	-7,051	-2.3
Total equity	2,989,597	3,028,976	39,378	1.3
Total liabilities and equity	6,691,328	7,119,898	428,570	6.4

(2) Interim Condensed Consolidated Statement of Profit or Loss

(Millions of yen)

	Nine months ended Dec. 31, 2020	Nine months ended Dec. 31, 2021	Increase/decrease	
	Amount	Amount	Amount	Change (%)
Revenue	873,815	1,160,136	286,320	32.8
Cost of sales	319,008	366,408	47,399	14.9
Selling, general and administrative expenses	413,230	632,235	219,005	53.0
Gain on sale of shares of subsidiaries	649	15,022	14,373	—
Operating income	142,226	176,515	34,289	24.1
Other non-operating income	3,542	19,411	15,869	448.0
Other non-operating expenses	8,178	9,451	1,273	15.6
Equity in losses of associates and joint ventures	-10,027	-31,884	-21,857	—
Impairment loss on investments in associates and joint ventures	—	18,378	18,378	—
Profit before tax	127,562	136,212	8,649	6.8
Income tax expense	45,412	55,948	10,536	23.2
Profit for the period	82,150	80,263	-1,886	-2.3
Attributable to:				
Owners of the parent	66,869	66,821	-47	-0.1
Non-controlling interests	15,280	13,441	-1,838	-12.0
Profit for the period	82,150	80,263	-1,886	-2.3
Earnings per share attributable to owners of the parent				
Basic (yen)	14.04	8.80	-5.24	-37.3
Diluted (yen)	14.04	8.74	-5.29	-37.7

(3) Interim Condensed Consolidated Statement of Comprehensive Income

(Millions of yen)

	Nine months ended Dec. 31, 2020	Nine months ended Dec. 31, 2021
Profit for the period	82,150	80,263
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	—	-819
Equity financial assets measured at FVTOCI	31,885	15,320
Share of other comprehensive income of associates	—	260
Subtotal	31,885	14,761
Items that may be reclassified subsequently to profit or loss		
Debt financial assets measured at FVTOCI	897	80
Exchange differences on translating foreign operations	-1,424	6,466
Subtotal	-526	6,546
Other comprehensive income, net of tax	31,358	21,307
Total comprehensive income	113,509	101,571
Total comprehensive income attributable to:		
Owners of the parent	97,343	87,753
Non-controlling interests	16,165	13,818
Total comprehensive income	113,509	101,571

(4) Interim Condensed Consolidated Statement of Changes in Equity

Nine months ended Dec. 31, 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			66,869			66,869	15,280	82,150
Other comprehensive income, net of tax					30,473	30,473	884	31,358
Total comprehensive income for the period	—	—	66,869	—	30,473	97,343	16,165	113,509
Transactions with owners and other transactions								
Issue of common stock	295	295				590		590
Payment of dividends			-42,195			-42,195	-6,589	-48,784
Transfer of accumulated other comprehensive income to retained earnings			5,751		-5,751	—		—
Purchase of treasury stock				-0		-0		-0
Changes attributable to obtaining or losing control of subsidiaries			-196			-196	771	575
Changes in ownership interests in subsidiaries without losing control		152				152	821	974
Others		-72				-72	-362	-435
Total	295	375	-36,640	-0	-5,751	-41,720	-5,358	-47,079
Balance at Dec. 31, 2020	237,718	212,914	360,981	-17,382	32,939	827,171	287,081	1,114,253

Nine months ended Dec. 31, 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			66,821			66,821	13,441	80,263
Other comprehensive income, net of tax					20,931	20,931	376	21,307
Total comprehensive income for the period	—	—	66,821	—	20,931	87,753	13,818	101,571
Transactions with owners and other transactions								
Issue of common stock	255	255				510		510
Payment of dividends			-42,228			-42,228	-9,863	-52,092
Transfer of accumulated other comprehensive income to retained earnings			526		-526	—		—
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		-8,353				-8,353	-10,538	-18,891
Share-based payment		8,584				8,584		8,584
Others		167	-4			163	-6	157
Total	255	654	-41,706	-0	-526	-41,322	-20,870	-62,192
Balance at Dec. 31, 2021	237,979	2,064,535	388,114	-17,385	55,503	2,728,748	300,227	3,028,976

(5) Interim Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Nine months ended Dec. 31, 2020	Nine months ended Dec. 31, 2021
	Amount	Amount
Cash flows from operating activities:		
Profit before tax	127,562	136,212
Depreciation and amortization	74,507	100,491
Gain on sale of shares of subsidiaries	—	-15,022
Equity in losses of associates and joint ventures	10,027	31,884
Impairment loss on investments in associates and joint ventures	—	18,378
Increase in call loans in banking business	-110,000	-15,000
Decrease (increase) in trade and other receivables	-62,764	14,798
Increase in trade and other payables	25,054	10,640
Increase in loans in credit card business	-37,154	-52,534
Increase in loans in banking business	-27,452	-72,402
Increase in customer deposits in banking business	266,584	223,664
Others	-28,101	6,314
Subtotal	238,264	387,425
Interest and dividends received	771	1,946
Interest paid	-4,217	-8,515
Income taxes—paid	-45,620	-82,233
Net cash generated by operating activities	189,197	298,623
Cash flows from investing activities:		
Purchase of investment securities in banking business	-259,368	-161,132
Proceeds from sales/redemption of investment securities in banking business	192,583	188,846
Purchase of other investments	-10,988	-116,619
Proceeds from sales and redemption of investments	14,455	12,813
Purchase of property and equipment	-21,384	-39,960
Purchase of intangible assets	-32,623	-210,314
Proceeds from losing of control over subsidiary	—	16,122
Others	-7,775	1,532
Net cash used in investing activities	-125,100	-308,711
Cash flows from financing activities:		
Net decrease in short-term borrowings	-231,400	-38,555
Proceeds from long-term bank loans	171,760	196,959
Repayments of long-term borrowings	-5,854	-104,660
Proceeds from sale of treasury stock of subsidiaries	580	11,415
Purchase of treasury stock of consolidated subsidiaries	-0	-31,999
Proceeds from issuance of corporate bonds	199,367	100,000
Redemption of corporate bonds	-10,000	-25,000
Proceeds from issuance of commercial papers	—	444,500
Payment for redemption of commercial papers	—	-297,000
Dividends paid	-42,186	-42,226
Repayment of lease liabilities	-20,891	-29,203
Others	-6,872	-8,280
Net cash generated by financing activities	54,500	175,949
Effects of exchange rate changes on cash and cash equivalents	-200	4,088
Net increase in cash and cash equivalents	118,397	169,949
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	998,498	1,235,676

(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 third 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 third quarter of the fiscal year ending March 31, 2022 (April 1, 2021 – December 31, 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 the consolidated second quarter of the fiscal year ending March 31, 2022, 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.

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

This cumulative consolidated third quarter of the fiscal year ending March 31, 2022 (April 1, 2021 – December 31, 2021)

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. in the consolidated second quarter of the fiscal year ending March 31, 2022. The transfer price was 28,729 million yen.

5. Impairment Loss on Investments in Associates and Joint Ventures

Impairment loss on investments in associates and joint ventures of 18,378 million yen has been recognized in the Interim Condensed Consolidated Statement of Profit or Loss of this consolidated third quarter of the fiscal year ending March 31, 2022. This is because the carrying amount of the investments accounted for using the equity method with regard to Demae-can Co., Ltd., was reduced to the recoverable amount.

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.