

Results for the Fiscal Year Ended March 31, 2022 [IFRSs]

April 28, 2022

Company Name: Z Holdings Corporation
 Code No.: 4689
 Representative: Kentaro Kawabe, President and Representative Director, Co-CEO
 Contact: Ryosuke Sakaue, Senior Managing Corporate Officer, GCFO

Share Listings: Prime Market of TSE
 URL: <https://www.z-holdings.co.jp/en/>
 Tel: 03-6779-4900

Scheduled Ordinary Shareholder's Meeting Date: June 17, 2022

Scheduled Dividend Payment Date: June 3, 2022

Scheduled Securities Report Submission Date: June 16, 2022

Fiscal Results Supplementary Briefing Materials to Be Created: Yes

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

1. Consolidated Results for FY2021 (April 1, 2021 - March 31, 2022) (Amounts less than one million yen are omitted)

(1) Consolidated Business Performance (April 1, 2021 - March 31, 2022) (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 (%) |
| FY2021 | 1,567,421 (30.0) | 189,503 (16.9) | 158,542 (11.2) | 91,631 (2.8) | 77,316 (10.2) | 121,319 (0.1) |
| FY2020 | 1,205,846 (14.5) | 162,125 (6.5) | 142,615 (5.1) | 89,120 (1.2) | 70,145 (-14.1) | 121,227 (52.7) |

| | Adjusted EBITDA | Adjusted EPS | Basic earnings per share | Diluted earnings per share | Profit ratio to equity attributable to owners of the parent | Profit before tax ratio to total assets | Operating margin |
|--------|---------------------|--------------|--------------------------|----------------------------|---|---|------------------|
| | Millions of yen (%) | Yen (%) | Yen | Yen | % | % | % |
| FY2021 | 331,486 12.4 | 10.77 -41.0 | 10.20 | 10.14 | 2.9 | 2.3 | 12.1 |
| FY2020 | 294,837 18.8 | 18.27 -2.1 | 14.02 | 14.01 | 4.1 | 2.7 | 13.4 |

(For reference) Equity in losses of associates and joint ventures: FY2021 -46,135 million yen FY2020 -19,418 million yen

(Note) Please find the definitions of adjusted EBITDA and adjusted EPS in the following page.

(2) Consolidated Financial Position

| | Total assets | Total equity | Equity attributable to owners of the parent | Ratio of equity attributable to owners of the parent | Equity attributable to owners of the parent per share |
|--------|-----------------|-----------------|---|--|---|
| | Millions of yen | Millions of yen | Millions of yen | % | Yen |
| FY2021 | 7,110,386 | 2,982,197 | 2,684,377 | 37.8 | 358.25 |
| FY2020 | 6,691,328 | 2,989,597 | 2,682,318 | 40.1 | 353.17 |

(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 ended March 31, 2022 in connection with the business combination.

(3) Consolidated Cash Flows Status

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash & cash equivalents at the end of the period |
|--------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| FY2021 | 266,314 | -303,899 | 91,630 | 1,127,523 |
| FY2020 | 207,921 | -12,349 | -12,070 | 1,065,726 |

2. Dividends

| | Dividends per share | | | | | Total amount (Full year) | Payout ratio (Consolidated) | Dividend ratio to equity attributable to owners of the parent (Consolidated) |
|--------------------|---------------------|------|-----|----------|-----------|--------------------------|-----------------------------|--|
| | 1Q | 2Q | 3Q | Year end | Full year | | | |
| (Record date) | 1Q | 2Q | 3Q | Year end | Full year | Millions of yen | % | % |
| | Yen | Yen | Yen | Yen | Yen | | | |
| FY2020 | — | 0.00 | — | 5.56 | 5.56 | 42,228 | 39.7 | 2.2 |
| FY2021 | — | 0.00 | — | 5.81 | 5.81 | 43,535 | 57.0 | 1.6 |
| FY2022 (Estimates) | — | 0.00 | — | 5.56 | 5.56 | | — | |

(Note) Year-end cash dividends for the fiscal year ended March 31, 2022: Ordinary dividend 5.56 yen per share; Commemorative dividend 0.25 yen per share

3. Consolidated Performance Estimates for FY2022 (April 1, 2022 – March 31, 2023)

| | Revenue | | Adjusted EBITDA | |
|-----------------------------------|-----------------|--------------|-------------------|--------------|
| | Millions of yen | % Change YoY | Millions of yen | % Change YoY |
| Fiscal year ending March 31, 2023 | 1,724,000 | 10.0 | 331,500 - 340,000 | 0.0 – 2.6 |

(Note) To shift to an evaluation for which accounting effects are eliminated, Z Holdings Corporation has changed one of the management indexes from operating income to adjusted EBITDA.

For details, please refer to 3. Outlook for Fiscal 2022 (April 1, 2022 – March 31, 2023) in (1) Qualitative Information regarding the Consolidated Business Performance of 1 Analysis of Business Results and Financial Position on page 5 of the Results for the Fiscal Year (Attachments).

* Notes

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

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

1) Changes due to IFRSs: 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 March 31, 2022 7,596,161,561 shares

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

2) Number of shares of treasury stocks

As of March 31, 2022 103,032,700 shares

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

3) Average number of stocks outstanding

As of March 31, 2022 7,580,032,201 shares

As of March 31, 2021 5,003,819,285 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 stocks outstanding (common stock)

(*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 Fiscal Year are not subject to audit 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.

• Z Holdings Corporation transitioned 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.

○ Table of contents of attachments

| | | |
|---|---|----|
| 1 | Analysis of Business Results and Financial Position | 2 |
| | (1) Qualitative Information regarding the Consolidated Business Performance | 2 |
| | (2) Qualitative Information regarding the Consolidated Financial Position | 6 |
| | (3) Basic Policy regarding Profit Distribution and Dividend Payments for Fiscal 2021 and 2022 | 7 |
| | (4) Significant Contracts | 8 |
| 2 | Management Policy | 12 |
| | (1) Fundamental Business Management Policies | 12 |
| | (2) Management Performance Indicators Used for Goals | 12 |
| | (3) Medium- to Long-Term Business Strategies | 12 |
| | (4) Major Business Issues | 16 |
| | (5) Risk Factors | 16 |
| 3 | Basic Stance on Selecting Accounting Standards | 18 |
| 4 | Consolidated Financial Statements and Significant Notes | 19 |
| | (1) Consolidated Statement of Financial Position | 19 |
| | (2) Consolidated Statement of Profit or Loss | 21 |
| | (3) Consolidated Statement of Comprehensive Income | 22 |
| | (4) Consolidated Statement of Changes in Equity | 23 |
| | (5) Consolidated Statement of Cash Flows | 25 |
| | (6) Going Concern Assumption | 27 |
| | (7) Notes to Consolidated Financial Statements | 27 |

1 Analysis of Business Results and Financial Position

(1) Qualitative Information regarding the Consolidated Business Performance

1. Business Results Summary (April 1, 2021 to March 31, 2022)

■ Highlights

- Revenue of 1.56 trillion yen (up 30.0% year on year); Adjusted EBITDA of 331.4 billion yen (up 12.4% year on year); both marked a record high, led by the impact of the business integration with LINE Corporation and growth in Group total advertising revenue

| | Fiscal year ended Mar. 31, 2021 (yen) | Fiscal year ended Mar. 31, 2022 (yen) | Year-on-Year Change (yen) | Year-on-Year Change (%) |
|-----------------|--|--|------------------------------|----------------------------|
| Revenue | 1,205.8 billion | 1,567.4 billion | +361.5 billion | +30.0% |
| Adjusted EBITDA | 294.8 billion | 331.4 billion | +36.6 billion | +12.4% |

The revenue for the fiscal year ended March 31, 2022 amounted to 1,567.4 billion yen (up 30.0% year on year), resulting in the highest fiscal year revenue. This was due to the consolidation of LINE Corporation as a result of the business integration in March 2021, and growth in advertising revenue.

Adjusted EBITDA increased 12.4% year on year, to 331.4 billion yen, resulting in the highest fiscal year result, due to the above-mentioned revenue growth as well as gain on sale of shares of YJFX, Inc. (*1), the elimination of the royalties payment accompanying the termination of the YAHOO! JAPAN LICENSE AGREEMENT and other factors.

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

2. Segment Business Results Summary (April 1, 2021 – March 31, 2022)

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 Major services and products of each segment on page 5 for the details of the products handled.

Revenue and Adjusted EBITDA by Segment

| | Fiscal year ended Mar. 31, 2021 (yen) | Fiscal year ended Mar. 31, 2022 (yen) | Year-on-Year Change (yen) | Year-on-Year Change (%) |
|---------------------------|--|--|------------------------------|----------------------------|
| Media Business | | | | |
| Revenue | 366.9 billion | 639.5 billion | +272.6 billion | +74.3% |
| Adjusted EBITDA | 162.6 billion | 266.1 billion | +103.5 billion | +63.7% |
| Commerce Business | | | | |
| Revenue | 746.1 billion | 810.9 billion | +64.8 billion | +8.7% |
| Adjusted EBITDA | 152.2 billion | 131.5 billion | -20.7 billion | -13.7% |
| Strategic Business | | | | |
| Revenue | 87.4 billion | 116.1 billion | +28.7 billion | +32.9% |
| Adjusted EBITDA | 19.1 billion | -12.8 billion | -31.9 billion | -167.4% |
| Others | | | | |
| Revenue | 18.1 billion | 22.6 billion | +4.5 billion | +24.8% |
| Adjusted EBITDA | 4.7 billion | -1.9 billion | -6.6 billion | -141.2% |
| Adjustments | | | | |
| Revenue | -12.7 billion | -21.9 billion | — | — |
| Adjusted EBITDA | -43.8 billion | -51.3 billion | — | — |
| Total | | | | |
| Revenue | 1,205.8 billion | 1,567.4 billion | +361.5 billion | +30.0% |
| Adjusted EBITDA | 294.8 billion | 331.4 billion | +36.6 billion | +12.4% |

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

1) Media Business in the Consolidated Fiscal Year

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's total advertising revenue achieved a first double-digit growth since fiscal 2013 due to capturing of the demand recovery in the overall market and product improvement, etc. LINE Corporation saw a significant year-on-year increase in total advertising revenue due to round-the-clock display of ads in chat list, launch of new products, expansion of advertisers, etc., in Display ads. Account ads also contributed to the result due to the steady increase in the number of accounts opened, etc.

As a result, revenue of the Media Business of the consolidated fiscal year amounted to 639.5 billion yen, increasing 74.3% year on year. Adjusted EBITDA increased 63.7% year on year, to 266.1 billion yen. The revenue of the Media Business accounted for 40.8% of total revenue.

2) Commerce Business in the Consolidated Fiscal Year

Revenue of 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 increases in the ZOZO Group and the ASKUL Group, etc.

In addition, e-commerce transaction value (*2) amounted to 3.5788 trillion yen, increasing 10.9% year on year. Out of the e-commerce transaction value, merchandise transaction value amounted to 2.9525 trillion yen, increasing 10.5% year on year.

As a result, revenue of the Commerce Business of the consolidated fiscal year amounted to 810.9 billion yen, increasing 8.7% year on year. Adjusted EBITDA decreased 13.7% year on year, to 131.5 billion yen. The revenue of the Commerce Business accounted for 51.7% of total revenue.

(*2) E-commerce transaction value is the total transaction value of Merchandise EC, Services EC, and paid digital content, etc., included in Others of Media Business listed in "Major services and products of each segment" on page 5.

3) Strategic Business in the Consolidated Fiscal Year

Revenue of 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 5.4436 trillion yen (up 67.2% year on year), showing steady performance due to increase in the number of PayPay payments attributed to the growing number of users and frequency of use. Credit card transaction volume of PayPay Card Corporation (*3) steadily increased to 2.9081 trillion yen (up 19.8% year on year) and number of PayPay Bank (*4) accounts, to 6.02 million (up 17.6% year on year).

As a result, revenue of the Strategic Business of the consolidated fiscal year amounted to 116.1 billion yen, increasing 32.9% year on year. The revenue of the Strategic Business accounted for 7.4% 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.

Major services and products of each segment

| | | | | |
|---|-------------------|---|--|--|
| 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, LINE NFT, 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 2022 (April 1, 2022 – March 31, 2023)

For the fiscal year ending March 31, 2023, the second full fiscal year after the integration with LINE Corporation, the Z Holdings Group (the “Group”) expects a consolidated revenue of 1.724 trillion yen (up about 10% year on year) by promoting the focus areas from the previous fiscal year. The Group also expects an adjusted EBITDA of 331.5 – 340.0 billion yen (up 0.0 - 2.6% year on year) for the same period by expanding strategic investments for medium- to long-term growth.

(2) Qualitative Information regarding the Consolidated Financial Position

1. Assets, Liabilities and Equity

Since Z Holdings Corporation finalized the provisional accounting in the consolidated second quarter of the fiscal year ended 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

Total assets at the end of fiscal 2021 amounted to 7,110,386 million yen, increasing 419,057 million yen, or 6.3%, 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 compared with the end of fiscal 2020 mainly because of the exclusion of YJFX, Inc. (now Gaika ex byGMO, Inc.) from the consolidation.
- Loans in banking business increased compared with the end of fiscal 2020 mainly due to the increase in housing loans.
- Intangible assets increased from the end of fiscal 2020, primarily 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 fiscal 2021 were 4,128,188 million yen, increasing 426,457 million yen, or 11.5%, 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 fiscal 2021 amounted to 2,982,197 million yen, decreasing 7,400 million yen, or 0.2%, from the end of fiscal 2020. The primary reasons for change in equity were as follows:

- Capital surplus decreased from the end of fiscal 2020 mainly due to the cancellation of treasury stock.
- Retained earnings increased from the end of fiscal 2020 because of recognition of net income attributable to owners of the parent despite payment of dividends.
- Treasury stock increased from the end of fiscal 2020, attributed primarily to the purchase of treasury stock despite the cancellation of treasury stock.

2. Cash Flows

At the end of fiscal 2021, cash and cash equivalents amounted to 1,127,523 million yen, up 61,796 million yen from the end of fiscal 2020, out of which deposit with the Bank of Japan for banking business was 320,403 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 266,314 million yen mainly because of the increase in customer deposits in banking business and recognition of profit before tax for the period under review despite the increase in loans in banking business.

Cash flows from investing activities amounted to a cash outflow of 303,899 million yen, chiefly due to the acquisitions of intangible assets, investment securities in banking business and shares, despite proceeds arising from sales of investment securities in banking business.

Cash flows from financing activities amounted to a cash inflow of 91,630 million yen, attributed mainly to proceeds from long-term borrowing and issuance of corporate bonds, and issuance and redemption of commercial papers, despite outflow from repayment of long-term borrowing, and purchase of treasury stock, and payment of dividends.

(3) Basic Policy regarding Profit Distribution and Dividend Payments for Fiscal 2021 and 2022

Z Holdings Corporation aims to achieve sustained growth in corporate value over the medium- to long-term. For that purpose, the Company recognizes the importance of actively pursuing upfront investments to the Group's services, capital expenditures, and capital and business alliances for future growth. At the same time, Z Holdings Corporation recognizes its responsibility as a listed company to recompense shareholders by returning profits to them.

Guided by the abovementioned policies, the Company has announced that for the dividend of the fiscal year ended March 31, 2022, it will maintain the total dividend amount paid in the previous fiscal year and that the ordinary dividend will be 5.56 yen per share. In addition to the ordinary dividend, the Company has resolved to pay a commemorative dividend of 0.25 yen per share to commemorate the first anniversary of the business integration with LINE Corporation and to express its gratitude to its shareholders. As a result, dividends for this fiscal year are expected to be 5.81 yen per share.

The dividend for the fiscal year ending March 31, 2023, is scheduled to be 5.56 yen per share, maintaining the same total dividend amount paid, excluding the commemorative dividend.

(4) Significant Contracts

The following are the significant contracts for the Z Holdings Group.

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 Corporation (“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, the YAHOO! JAPAN LICENSE AGREEMENT has been terminated as of September 22, 2021. 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 |
| Counterparty | Oath Holdings Inc. (Changed trade name from Yahoo Holdings Inc. on January 1, 2018) |
| Contract date | April 1, 1996 |
| Contract term | <p>From April 1, 1996; termination date unspecified</p> <p>Note: The license agreement may be terminated under the following conditions: (i) mutual decision by the companies to terminate the agreement; (ii) cancellation of the agreement following bankruptcy or loan default by one of the companies; (iii) purchase of one-third or more of the outstanding shares of Yahoo Japan Corporation by a competitor of Oath Holdings Inc.; or (iv) merger or acquisition of Yahoo Japan Corporation rendering shareholders of Yahoo Japan Corporation before such merger or acquisition incapable of maintaining over 50% of shareholder voting rights of Yahoo Japan Corporation (may be waived by agreement of Oath Holdings Inc.).</p> |
| Main details | <p>YAHOO! JAPAN LICENSE AGREEMENT</p> <p>1) Licensing rights granted by Oath Holdings Inc. to Yahoo Japan Corporation:</p> <ul style="list-style-type: none"> · Non-exclusive rights granted to Yahoo Japan Corporation for reproduction and use of Oath Holdings Inc.'s Internet search and other services customized and localized for the Japanese market (hereinafter referred to as the Japanese version of information search services, etc.) · Non-exclusive rights granted to Yahoo Japan Corporation for use in Japan of the trademark, etc., of Oath Holdings Inc. · Exclusive rights granted to Yahoo Japan Corporation for publishing of the trademark, etc., of Oath Holdings Inc. in Japan · Exclusive rights granted to Yahoo Japan Corporation worldwide for development, commercial use, and promotion, 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 Corporation</p> <p>3) Royalties to be paid by Yahoo Japan Corporation to Oath Holdings Inc. (see Note, below)</p> <p>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</p> |

| | |
|--|--|
| | <p>{{(Revenue) - (Advertising sales commissions*) - (Cost of sales of consolidated subsidiaries with a different gross margin structure and others)} x 3%</p> <p>* Advertising sales commissions on a consolidated basis</p> |
|--|--|

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

| | |
|-------------------|---|
| Contract name | GOOGLE SERVICES AGREEMENT |
| Contract date | May 29, 2020 (initial contract date: July 27, 2010) |
| Contract term end | March 31, 2025 |
| Counterparty | Google Asia Pacific Pte Ltd. |
| Main details | <p>1) Non-exclusive provision of search and paid search advertising distribution technologies by counterparty The counterparty shall provide its search and paid search advertising distribution technologies to Yahoo Japan Corporation on a non-exclusive basis, which will be used by Yahoo Japan Corporation to offer its own brand of services.</p> <p>2) Differentiation of search services Both parties are entitled to freely develop and use additional functions for the search results in order to differentiate their search results. Yahoo Japan Corporation may decide on its own whether to display the search results provided by the counterparty.</p> <p>3) Yahoo Japan Corporation's payment for counterparty's services The consideration for the counterparty's services received by Yahoo Japan Corporation shall be the sum of an amount calculated using a method determined on an annual basis based on the revenue of the website of Yahoo Japan Corporation. The consideration for the services used by Yahoo Japan Corporation on a partner site shall be the amount calculated by multiplying the revenue derived from the partner site by a rate determined on an annual basis.</p> |

3. Loan agreement

On September 30, 2020, for the purpose of refinancing of a loan for funding the tender offer for the common shares of ZOZO, Inc., the Company entered into a loan agreement with the Company's five main banks, Mizuho Bank, Ltd. acting as the agent, and the loan was drawn down on October 30, 2020.

The summary of the loan agreement is as follows.

1) Amount of borrowing

JPY 150,000 million

2) Interest rate

The Japanese Bankers Association Yen TIBOR + interest rate spread

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

3) Maturity

September 30, 2025

4) Collateral

None

5) Guarantee

Yahoo Japan Corporation

6) Major obligations of the borrower

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

b Financial covenants

- (a) Net assets in the balance sheet of the Company on the last day of each fiscal year after the second quarter of the fiscal year ending March 31, 2021 shall not be less than 75% of the year-on-year amount.
- (b) Equity in the consolidated statement of financial position of the Z Holdings Group on the last day of each second quarter and each fiscal year after the second quarter of the fiscal year ending March 31, 2021 shall not be less than 75% of the year-on-year amount.
- (c) The liabilities do not exceed the assets in the balance sheet of the Company on the last day of each fiscal year after the second quarter of the fiscal year ending March 31, 2021.
- (d) The liabilities do not exceed the assets in the consolidated balance sheet of the Z Holdings Group on the last day of each second quarter and each fiscal year after the second quarter of the fiscal year ending March 31, 2021.
- (e) The operating income/loss or the net income/loss in the profit and loss statement of the Company, on the last day of each fiscal year after the fiscal year ending March 31, 2021, shall not record a loss for two consecutive fiscal years.
- (f) The operating income/loss or the net income/loss in the consolidated profit and loss statement of the Z Holdings Group, on the last day of each fiscal year after the fiscal year ending March 31, 2021, shall not record a loss for two consecutive fiscal years.
- (g) The net leverage ratio (i) on the last day of each second quarter and each fiscal year after the second quarter of the fiscal year ending March 31, 2021, shall be less than a certain figure.
- (i) Net leverage ratio = Net debt (ii) ÷ Adjusted EBITDA (iii)
- (ii) Amount derived by deducting cash and cash equivalents from interest-bearing liabilities in the consolidated balance sheet of the Z Holdings Group. There are certain adjustments involved such as: interest-bearing liabilities here do not include interest-bearing liabilities arising from asset securitization; the interest-bearing liabilities and cash and cash equivalents in the consolidated balance sheet of PayPay Bank Corporation shall not be included in the interest-bearing liabilities and cash and cash equivalents, etc.
- (iii) EBITDA is derived by adding certain adjustments prescribed in the agreement with the financial institutions such as depreciation and amortization, and loss on retirement included in operating expense, etc., to the operating income.

4. Debt guarantee agreement

As part of the series of transactions for accomplishing the business integration with LINE Corporation (“LINE”), and for the purpose of providing a joint guarantee for the fund procurement conducted by LINE in relation to the early redemption of LINE’s convertible bonds, on September 30, 2020, the Company concluded a debt guarantee agreement with its 22 financial institutions, with LINE, NAVER Corporation, and Mizuho Bank, Ltd. acting as administrative agents. 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 terminated 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 (JPY 68.6 billion) and Tranche D (JPY 5.7 billion). In relation to the guarantee provided by NAVER Corporation for the aforementioned loans, the Company provides a joint guarantee to NAVER Corporation on the liability that LINE (an entity which 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 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.

2 Management Policy

The matters related to the future in the text were determined by the Z Holdings Group (the “Group”) as of the end of this consolidated fiscal year.

(1) Fundamental Business Management Policies

With its mission “UPDATE THE WORLD,” unleashing the infinite potential of all people with the power of information technology, the Group aims to realize its vision of creating a hopeful future whereby “Mankind can be free and in control.” With the development of the information technology, we are now able to acquire all kinds of knowledge and information through the Internet and to disseminate information around the world. Using the power of information technology, the Group believes that mankind will be liberated from various restrictions and that a new future will be created.

The Group will adhere to a “users first” standpoint while endeavoring to improve services for sustainable growth. In addition, the Group aims to contribute to solving various problems of people and society, and to improve the corporate value of the Group.

(2) Management Performance Indicators Used for Goals

As its core management performance indicators, the Z Holdings Group gives priority to the revenue and adjusted EBITDA (*) for the overall Group. The reasons for setting these indicators are as follows:

Revenue: This indicator was chosen because it is the source of all earnings and can also represent growth and profitability, as well as business size.

Adjusted EBITDA: This indicator was chosen because it provides a measure of recurring profitability by excluding non-cash income and expenses, such as depreciation and amortization, and one-time gains and losses, such as impairment losses and remeasurement gains and losses from business combinations.

As common indicators for the whole company, Yahoo Japan Corporation uses number of monthly logged-in user IDs, time spent by logged-in users, and others. LINE Corporation uses monthly active users, ratio of daily active users (DAU) to monthly active users (MAU), and others. Indices for the Media Business are advertising-related revenue and number of LINE Official Accounts among others. As indicators for the Commerce Business, the Group uses e-commerce transaction value, etc., and for the Strategic Business, PayPay GMV and number of PayPay payments of PayPay Corporation, credit card transaction volume of PayPay Card of PayPay Card Corporation, and number of PayPay Bank Accounts of PayPay Bank Corporation, etc. are used as indices.

(*) Adjusted EBITDA: Although adjusted EBITDA is not a financial measure as defined in IFRS, the Company has adopted this indicator in order to enhance understanding of the Group's performance and to use it as a key indicator in assessing the current performance. Therefore, it is possible that other companies may use different calculation methods or use the indicator for different purposes than this Group.

(3) Medium- to Long-Term Business Strategies

1) Business environment

Due to the recent development of information technology, the distinction between the online and offline worlds has rapidly disappeared in various sectors of society. With the possibility of the Internet broadening dramatically, and due to the unexpected outbreak of COVID-19, the society is going through an unprecedented, dramatic change. As the online world merges with the offline world, the value of big data is growing exponentially. As the Japanese government's “Society 5.0” strategy points out, there is a demand for enterprises that use data to create services and businesses that balance economic development and the solving of social issues.

In addition, through the use of the Internet, the Group has seen the birth of numerous innovative and highly convenient services are seen around the world, such as cashless payment, IoT and big data, which are becoming the new standard of living. Moreover, the presence of foreign IT companies which have entered the Japanese market is growing year by year. Meanwhile, many startups have also been launched in Japan, and a dazzling evolution in the environment of the highly competitive Internet market is expected to continue in the future.

The businesses of the Z Holdings Group can be largely classified into Media Business, Commerce Business and Strategic Business. In the Media Business, a business in which the Group has been engaged ever since its foundation, total advertising expenditures in Japan was JPY 6.7998 trillion for 2021, according to Dentsu Inc. Out of this, Internet advertising spending recorded JPY 2.7052 trillion, exceeding the total advertising expenditures in the four traditional media markets for the first time, and is leading the growth of the entire advertising market. Internet advertising media expenditures, which exclude Internet advertising production expenditure and advertising expenditure for merchandise-related EC platforms from the Internet advertising spending, continue to grow, and amounted to JPY 2.1571 trillion. By type, paid search advertising and display advertising accounted for more than 70% of the total, while video advertising grew from the year before, accounting for about 20% of the total.

For the Commerce Business, according to research by the Ministry of Economy, Trade and Industry ("METI"), the BtoC e-commerce market is around JPY 19.2 trillion in 2020, and the EC ratio in the merchandising sector is 8.08%. Japan's EC ratio is rising every year, and the Group sees considerable upside potential. Specifically, it is expected that requests to stay home following the outbreak of COVID-19 will trigger expansion of e-commerce use and that the EC ratio in Japan will further increase.

Furthermore, in the Strategic Business, although cashless payment is a highly prospective field, according to METI, Japan's cashless payment ratio in 2020 is about 30%, a low level compared to other countries. In March 2018, METI announced its Cashless Vision and its "Declaration of Payment Reform," setting a target of hiking the ratio of cashless payment to 40% by 2025. Going forward, the market for the Commerce Business and Strategic Business is expected to expand and the online and offline domains to merge even further through the use of big data and technologies, and through payment methods such as mobile payment.

2) Management strategy

Throughout the history of the Z Holdings Group, the development of its services has been based on a user-first philosophy. The Group's business scale and organization have changed over the years, but its commitment to the enhancement of service usability and the enrichment of people's lives has never altered. Because the Group believes that a deeper and more multifaceted understanding of its users' needs is essential to the fulfillment of this commitment, the Group is working to gain the best possible understanding about user needs by accumulating and using data. Ultimately, the Group aims to be the home-grown Japanese platform operator with the best understanding of users in Japan. The cross-use of multi-big data plays a central role in understanding the people living in Japan to the best, solving social issues through the provision of the best user experience, and creating the future. Positioning itself in its third founding since fiscal 2018, the Company has made active investments in future growth to transition to a data-driven company with a business model that leverages its multi-big data. The Group offers various services that center on media, e-commerce, and fintech in differing business domains of the Media, Commerce and Strategic Businesses. The Z Holdings Group is a globally unique corporate group that covers from online to offline services in a comprehensive manner. The abundance of data collected through its extensive lineup of services provides the Group with an important competitive edge in the creation of new and unique services. The Group aims to provide optimal services for each and every user, and to provide even higher-quality user experiences through the cross-use of data received from each service.

One of the key initiatives undertaken to achieve this goal is the strengthening of collaborations with SoftBank Corp. From before, the Group has promoted business collaborations in e-commerce and mobile payment businesses, but the Group became a consolidated subsidiary of SoftBank Corp. in June 2019. As an information communication group with an unprecedented scale even in the world, the Group aims to achieve further growth and improve its corporate value by leveraging various services and one of Japan's largest user bases of both companies. The multi-big data derived from the services and user bases, which is both vast in volume and wide in variety will also play a key role in achieving the goal.

Furthermore, in order to strongly promote these initiatives and to become a leading corporate group in Japan and Asia, the Group has completed the business integration with LINE Corporation on March 1, 2021. The business integration has largely increased the number of countries and regions for which the Group provides services. The Group will endeavor to create synergies in each field by leveraging LINE Corporation's user base of 174 million people in major Asian countries and regions, and vigorously build a future possible only by the Group.

In addition, proceeding with the management that spans these varieties of services and group companies will lead to stable revenue generation. The Group believes that this contributes to stabilizing the business base because having a variety of revenue sources and business models can disperse impacts of emergency situations such as the outbreak of COVID-19.

The Group will leverage such competitive edge and strength to create new user experiences through higher-quality services that meet the needs of its users. Through these measures, as its medium-term target, the Company aims to achieve a revenue of JPY 2 trillion and adjusted EBITDA of JPY 390 billion in fiscal 2023.

As a Group that has one of the largest data assets in Japan, both in volume and in variety, it will maximize the capacity of its data and will aim to become an enterprise that enhances the value of the whole society.

3) Basic Policy of Major Business Segments

Media Business

The Media Business provides various media services that are indispensable to the daily lives of users. These services are used by many, and the major source of revenue for the Media Business is advertising. In an emergency situation such as the COVID-19 pandemic, it is imperative that needed information and services are provided appropriately and rapidly. Based on the user-first principle the Group has upheld since its foundation, it believes that providing needed services at the right time will enhance its credibility as a media platform, which in turn will lead to an increase in the number of users over the medium- to long-term, and ultimately to an increase in advertising revenue.

An important index on service usage, the number of monthly logged-in user IDs of Yahoo! JAPAN, has expanded steadily and is approximately 55 million IDs and LINE's monthly active users in Japan is around 92 million at the end of the fiscal year ended March 31, 2022. Yahoo! JAPAN was ranked No. 1 and LINE No. 3 in a 2021 ranking on total digital reach in Japan, held by a third-party institution. In addition, unique assets not available in competitors have been incorporated as a result of the integration with LINE Corporation. By utilizing the AI technologies of NAVER Corporation and assets of LINE Corporation, the Group will continue to realize a new marketing solution that comprehensively supports not only the "funnel for acquiring new customers" from recognition to interest, but also the "funnel for boosting customer loyalty" from purchase to CRM. Furthermore, the Group will provide solutions that commit to conversions by utilizing the accumulated data in combination with PayPay and LINE Official Accounts, etc. As a result, the Group will realize a 1:1 marketing that provides the best suited proposal for each user and will aim to increase the use frequency. The Group also regards its entry into the offline world to be a new chance for its business and is promoting initiatives to also make users' lives in the offline world even more convenient. Using the offline payment data through PayPay, it will comprehensively visualize user actions from "encounter with information" to "purchase" which will give it a foothold to increase its market share in the sales promotion market.

Commerce Business

The Group's Commerce Business provides e-commerce-related services and membership services, etc. Shopping business transaction value has continued to record a firm year-on-year growth rate every term as a result of successful collaborations with companies including SoftBank Corp., PayPay Corporation, and ZOZO, Inc., expanding to a scale exceeding approximately 1.6 trillion yen in the fiscal year ended March 31, 2022. In PayPay Mall, a premium online shopping mall launched in fiscal 2019, "X (Cross) Shopping," which enables users to make an online purchase of items from the inventories of physical stores was also introduced. Through this, the Group aims to acquire a market share in the offline consumer market, which has a size of approximately JPY 140 trillion. In addition, as a measure resulting from the integration with LINE Corporation, the Group will integrate the loyalty programs of each company and use the three sources of actions (Yahoo! JAPAN, PayPay, and LINE) to promote cross-use of services and to further expand its ecosystem. As a medium- to long-term measure, the Group will deploy social commerce utilizing LINE's communication function such as gift, team purchase, and live commerce, as well as Quick Commerce that enables customers to receive products in as little as 15 minutes. One of the new measures leveraging the Group's collaboration is the deployment of "MySmartStore" which utilizes the expertise of NAVER Corporation. Through this measure, the Group plans to launch a service in full-scale in fiscal 2022 that supports companies from the construction of their EC website to maximization of their revenues. In the Quick Commerce business, the Group has begun full-scale development of Yahoo! JAPAN Mart by ASKUL in which food and daily necessities sold by ASKUL Corporation are delivered by delivery staff from Demae-can Co., Ltd., with the goal of covering the entire Tokyo area by the end of fiscal 2022. The Group will continue to achieve a sustainable growth in the e-commerce transaction value by improving the logistics services through the business alliance to strengthen logistics and delivery concluded with Yamato Holdings Co., Ltd. (announced in March 2020), enhancing loyalty programs, and developing convenient and value-for-money services utilizing the Group's strength and Group-wide assets, such as social commerce and Quick Commerce.

Strategic Business

For the payment business, preparations are underway to consolidate the domestic QR/barcode payment businesses of PayPay and LINE Pay. The target of this consolidation is within fiscal 2022. From August 2021, PayPay QR codes became readable on LINE Pay. Furthermore, the Group aims to expand its ecosystem by diversifying payment methods, such as by the launch of PayPay Card in December 2021 and a deferred payment service in February 2022. In the future, through collaborations with PayPay Corporation and LINE Corporation, the Group will continue to accumulate and utilize a variety of offline life data, centering on payment data originating from PayPay and LINE Pay, to develop financial services such as securities, insurance,

NFT (Non-Fungible Token) and O2O (online to offline/traffic referral) business, etc., that meet user needs and grow them into a wide array of profit-earning businesses.

In LINE Corporation, LINE NEXT Corporation was established in South Korea and LINE NEXT, Inc. in the United States in December 2012, as ventures dedicated to developing and expanding the global NFT ecosystem. LINE NEXT Corporation will strategically plan the global NFT platform business, while LINE NEXT Inc. will operate the global NFT platform business. In March 2022, LINE NEXT Inc. announced that it has formed 26 partnerships with a range of companies to develop and expand the global NFT ecosystem. NFTs based on the popular IP content of the partner companies are scheduled to be developed and to be offered to users to trade using familiar payment methods.

(4) Major Business Issues

In executing the Group's management strategy noted in (3) 2), the Group will constantly have a user-first standpoint to improve services for its sustainable growth. For this, the Group gives top priority to reinforcing security with protecting the personal information of users at the top of the list. In promoting the cross-sectional use of multi-big data, the Group also believes that the most important and basic stance is to respect the privacy of its users. For this, the Z Holdings Group has established the Privacy Policy which is enforced based on the laws and regulations of Japan.

In March 2021, the Company has established the "Special Advisory Committee on Global Data Governance," a special committee consisting of external experts to review and evaluate, from security and governance perspectives, the handling of personal information from outside of Japan, of the users in Japan of LINE Corporation, the Company's consolidated subsidiary. In October 2021, the said Committee compiled a "Final Report by the Special Advisory Committee on Global Data Governance." In response to the recommendations presented in the report, the Company will further promote efforts to improve data governance across the entire Z Holdings Group. In order to fulfill its social responsibility as a digital platform operator, the Company will continue to consider with sincerity, the opinions and suggestions of customers, experts, and regulatory authorities, and make continuous improvements to enhance transparency and create an environment where customers can use the Group's services with peace of mind. Since the Internet is an indispensable infrastructure for people's daily lives and for businesses, the Group's public responsibility is also increasing. Consequently, the Group conducts thorough risk management measures in pursuing its activities in terms of both facilities and operations to address unexpected accidents, natural disasters, and other events. In particular, the Group regards that corporate governance plays a crucial role in the enhancement of mid- to long-term corporate value. Moving on, the Company will strengthen the governance structure so that its management will serve the interests of all shareholders including the minority shareholders. Furthermore, the Group will further step up its efforts to fulfill its corporate social responsibility and establish and operate an internal control system to address corporate management risks.

Maximizing the performance of its human capital, the source for creating the Group's value, is also an important issue. For this, the Group continues to create systems and frameworks that will raise employees' awareness towards work and work quality. The Z Holdings Group believes that maintaining good physical and mental conditions of those working in the Group is directly linked to their optimal work performance and that this leads to the happiness of the employees and their families. Guided by these beliefs, President and Representative Director, Co-CEO, Kentaro Kawabe, proclaimed the Good Condition Declaration. In March 2022, Z Holdings Corporation was chosen as a brand of the "2022 Health & Productivity Stock Selection" jointly selected by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange, and has been acknowledged in the large enterprise category (White 500) of the Certified Health and Productivity Management Organization Recognition Program 2022 by Nippon Kenko Kaigi. Yahoo Japan Corporation, a company of the Group, has been acknowledged in White 500 category of the Certified Health and Productivity Management Organization Recognition Program 2022 for six years in a row since 2017. The Company will continue to create a work environment where all employees can work in their best physical and mental conditions.

(5) Risk Factors

During the consolidated fiscal year under review, among the matters related to the status of business and the status of accounting that were included in the annual securities report for the previous fiscal year, some changes have occurred in the following major risk factors that the management recognizes as having the potential to significantly affect the financial position, operating results, and cash flows of the Group. Forward-looking statements in the text are based on the Group's judgement as

of the end of the consolidated fiscal year under review. There are no significant changes to the “Risk Factors” stated in the annual securities report for the previous fiscal year, except as noted below:

3. Risk Factors with regard to business environment

(7) Risks regarding Emergency Situations

The Z Holdings Group's business will be substantially affected in the event of a conflict, coup d'état, terrorist attack, or other events that significantly alter the normal political and economic framework. For example, the Z Holdings Group's earnings may decrease due to restrictions on its service operations, unavailability of services due to the disconnection of network lines, cancellations of advertisements, decrease in advertisement volume, and decline in users of paid subscription services, and other factors. In addition, its business operation might be affected by disruptions in international communication and transportation, which could hinder the Group's ability to work with overseas parties.

The recent situation in Ukraine currently does not have a significant impact, such as a decline in revenue or an increase in expenses on the Z Holdings Group. The Group has been continuously collecting and monitoring information on contingency risks in the countries and regions where it operates and is working to ensure stable business operations while taking geopolitical factors into consideration. The Group also works to minimize the impact on its business performance in the event that risks materialize in a particular country or region by strengthening and expanding its global business bases and securing markets that enables the Group to sustainably generate multiple profit sources.

4. Risks with regard to major agreements and licenses

(1) Risks with regard to Oath Holdings Inc.

Yahoo Japan Corporation (“Yahoo Japan”), the major group company of the Group, had concluded the YAHOO! JAPAN LICENSE AGREEMENT with Oath Holdings Inc. Most of trademarks, software, tools, etc. (“Trademarks, Etc.”) related to the information search services, etc., that Yahoo Japan offers were owned by Oath Holdings Inc. and Yahoo Japan was developing its business with permission from Oath Holdings Inc. on the use of the said Trademarks, Etc. On September 7, 2021, Yahoo Japan announced that it entered into definitive agreements (the “Definitive Agreements”) with Oath Inc. and Oath Holdings Inc. regarding the buy-out of the Yahoo! Japan brand in Japan and termination of the Yahoo! Japan License Agreement. This enabled Yahoo Japan to continue to use the related trademarks, technologies, etc., and also allowed the Z Holdings Group as a whole greater freedom in the use of the brands and technological development, enabling more flexible business development. For confirmation, the YAHOO! JAPAN LICENSE AGREEMENT was terminated on September 22, 2021, based on the Definitive Agreements.

■ Outline of the Definitive Agreements

- 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

3 Basic Stance on Selecting Accounting Standards

The Z Holdings Group adopted IFRSs beginning with the fiscal year ended March 31, 2015.

4 Consolidated Financial Statements and Significant Notes

(1) Consolidated Statement of Financial Position

(Millions of yen)

| | As of Mar. 31, 2021 | As of Mar. 31, 2022 | Increase/decrease | |
|---|---------------------------|---------------------------|-------------------|------------|
| | Amount | Amount | Amount | Change (%) |
| Assets | | | | |
| Cash and cash equivalents | 1,065,726 | 1,127,523 | 61,796 | 5.8 |
| Call loans in banking business | 65,000 | 80,000 | 15,000 | 23.1 |
| Trade and other receivables | 480,195 | 368,618 | -111,576 | -23.2 |
| Inventories | 24,668 | 26,671 | 2,003 | 8.1 |
| Loans in credit card business | 407,955 | 475,528 | 67,573 | 16.6 |
| Investment securities in banking business | 517,984 | 464,145 | -53,838 | -10.4 |
| Loans in banking business | 247,047 | 414,620 | 167,572 | 67.8 |
| Other financial assets | 448,210 | 511,487 | 63,276 | 14.1 |
| Property and equipment | 150,478 | 164,783 | 14,305 | 9.5 |
| Right-of-use assets | 150,928 | 162,763 | 11,834 | 7.8 |
| Goodwill | 1,790,487 | 1,788,481 | -2,005 | -0.1 |
| Intangible assets | 1,061,780 | 1,216,379 | 154,599 | 14.6 |
| Investments accounted for using the equity method | 177,650 | 203,398 | 25,748 | 14.5 |
| Deferred tax assets | 39,427 | 37,176 | -2,250 | -5.7 |
| Other assets | 63,788 | 68,806 | 5,018 | 7.9 |
| Total assets | 6,691,328 | 7,110,386 | 419,057 | 6.3 |

(Millions of yen)

| | As of Mar. 31, 2021 | As of Mar. 31, 2022 | Increase/decrease | |
|---|---------------------------|---------------------------|-------------------|-------------|
| | Amount | Amount | Amount | Change (%) |
| Liabilities and equity | | | | |
| Liabilities | | | | |
| Trade and other payables | 616,681 | 524,989 | -91,691 | -14.9 |
| Customer deposits in banking business | 1,186,206 | 1,431,175 | 244,969 | 20.7 |
| Interest-bearing liabilities | 1,389,563 | 1,666,503 | 276,939 | 19.9 |
| Other financial liabilities | 10,759 | 8,528 | -2,230 | -20.7 |
| Income taxes payable | 47,024 | 43,186 | -3,837 | -8.2 |
| Provisions | 33,075 | 28,619 | -4,456 | -13.5 |
| Deferred tax liabilities | 278,216 | 262,539 | -15,677 | -5.6 |
| Other liabilities | 140,203 | 162,645 | 22,442 | 16.0 |
| Total liabilities | 3,701,730 | 4,128,188 | 426,457 | 11.5 |
| Equity | | | | |
| Equity attributable to owners of the parent | | | | |
| Common stock | 237,724 | 237,980 | 255 | 0.1 |
| Capital surplus | 2,063,881 | 2,037,384 | -26,496 | -1.3 |
| Retained earnings | 362,999 | 401,322 | 38,323 | 10.6 |
| Treasury stock | -17,385 | -54,086 | -36,701 | — |
| Accumulated other comprehensive income | 35,098 | 61,776 | 26,678 | 76.0 |
| Total equity attributable to owners of the parent | 2,682,318 | 2,684,377 | 2,058 | 0.1 |
| Non-controlling interests | 307,279 | 297,819 | -9,459 | -3.1 |
| Total equity | 2,989,597 | 2,982,197 | -7,400 | -0.2 |
| Total liabilities and equity | 6,691,328 | 7,110,386 | 419,057 | 6.3 |

(2) Consolidated Statement of Profit or Loss

(Millions of yen)

| | Fiscal year ended Mar. 31, 2021 | Fiscal year ended Mar. 31, 2022 | Increase/decrease | |
|---|------------------------------------|------------------------------------|-------------------|------------|
| | Amount | Amount | Amount | Change (%) |
| Revenue | 1,205,846 | 1,567,421 | 361,574 | 30.0 |
| Cost of sales | 432,446 | 497,021 | 64,575 | 14.9 |
| Selling, general and administrative expenses | 611,925 | 902,586 | 290,661 | 47.5 |
| Gain on sale of shares of subsidiaries | 649 | 15,022 | 14,373 | — |
| Gain on loss of control of subsidiary | — | 6,667 | 6,667 | — |
| Operating income | 162,125 | 189,503 | 27,378 | 16.9 |
| Other non-operating income | 9,783 | 36,637 | 26,853 | 274.5 |
| Other non-operating expenses | 9,875 | 11,976 | 2,100 | 21.3 |
| Gain on share exchange | — | 8,892 | 8,892 | — |
| Equity in losses of associates and joint ventures | -19,418 | -46,135 | -26,717 | — |
| Impairment loss on investments in associates and joint ventures | — | 18,378 | 18,378 | — |
| Profit before tax | 142,615 | 158,542 | 15,926 | 11.2 |
| Income tax expense | 53,495 | 66,911 | 13,415 | 25.1 |
| Profit for the period | 89,120 | 91,631 | 2,511 | 2.8 |
| Attributable to: | | | | |
| Owners of the parent | 70,145 | 77,316 | 7,171 | 10.2 |
| Non-controlling interests | 18,975 | 14,314 | -4,660 | -24.6 |
| Profit for the period | 89,120 | 91,631 | 2,511 | 2.8 |
| Earnings per share attributable to owners of the parent | | | | |
| Basic (yen) | 14.02 | 10.20 | -3.82 | -27.2 |
| Diluted (yen) | 14.01 | 10.14 | -3.87 | -27.6 |

(3) Consolidated Statement of Comprehensive Income

(Millions of yen)

| | Fiscal year ended Mar. 31, 2021 | Fiscal year ended Mar. 31, 2022 |
|---|------------------------------------|------------------------------------|
| Profit for the year | 89,120 | 91,631 |
| Other comprehensive income | | |
| Items that will not be reclassified to profit or loss | | |
| Remeasurements of defined benefit plans | -673 | -463 |
| Equity financial assets measured at FVTOCI | 29,437 | 15,505 |
| Share of other comprehensive income of associates | -4 | 85 |
| Subtotal | 28,760 | 15,128 |
| Items that may be reclassified subsequently to profit or loss | | |
| Debt financial assets measured at FVTOCI | 457 | -392 |
| Exchange differences on translating foreign operations | 2,888 | 14,952 |
| Subtotal | 3,346 | 14,559 |
| Other comprehensive income, net of tax | 32,107 | 29,687 |
| Total comprehensive income | 121,227 | 121,319 |
| Total comprehensive income attributable to: | | |
| Owners of the parent | 101,511 | 107,037 |
| Non-controlling interests | 19,715 | 14,281 |
| Total comprehensive income | 121,227 | 121,319 |

(4) Consolidated Statement of Changes in Equity

Fiscal year ended March 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, 2020 | 237,422 | 212,539 | 330,752 | -17,382 | 8,216 | 771,548 | 276,274 | 1,047,823 |
| Profit for the year | | | 70,145 | | | 70,145 | 18,975 | 89,120 |
| Other comprehensive income, net of tax | | | | | 31,366 | 31,366 | 740 | 32,107 |
| Total comprehensive income for the year | — | — | 70,145 | — | 31,366 | 101,511 | 19,715 | 121,227 |
| Transactions with owners and other transactions | | | | | | | | |
| Issue of common stock | 301 | 301 | | | | 603 | | 603 |
| Payment of dividends | | | -42,195 | | | -42,195 | -6,977 | -49,172 |
| Transfer of accumulated other comprehensive income to retained earnings | | | 4,484 | | -4,484 | — | | — |
| Purchase of treasury stock | | | | -2 | | -2 | | -2 |
| Changes attributable to obtaining or losing control of subsidiaries (*) | | 1,850,933 | -196 | | | 1,850,737 | 17,740 | 1,868,477 |
| Changes in ownership interests in subsidiaries without losing control | | 142 | | | | 142 | 888 | 1,030 |
| Others | | -35 | 8 | | | -26 | -362 | -388 |
| Total | 301 | 1,851,341 | -37,898 | -2 | -4,484 | 1,809,257 | 11,289 | 1,820,547 |
| Balance at March 31, 2021 | 237,724 | 2,063,881 | 362,999 | -17,385 | 35,098 | 2,682,318 | 307,279 | 2,989,597 |

(*) Includes issuance of new shares for the stock exchange conducted for the business integration with LINE Corporation (Please refer to 3. Business Combination).

| | 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 year | | | 77,316 | | | 77,316 | 14,314 | 91,631 |
| Other comprehensive income, net of tax | | | | | 29,721 | 29,721 | -33 | 29,687 |
| Total comprehensive income for the year | — | — | 77,316 | — | 29,721 | 107,037 | 14,281 | 121,319 |
| Transactions with owners and other transactions | | | | | | | | |
| Issue of common stock | 255 | 255 | | | | 511 | | 511 |
| Payment of dividends | | | -42,228 | | | -42,228 | -10,267 | -52,495 |
| Transfer of accumulated other comprehensive income to retained earnings | | | 3,043 | | -3,043 | — | | — |
| Purchase of treasury stock | | | | -68,289 | | -68,289 | | -68,289 |
| Cancellation of treasury stock | | -31,587 | — | 31,587 | | — | | — |
| Changes attributable to obtaining or losing control of subsidiaries | | — | — | | | — | -3,744 | -3,744 |
| Changes in ownership interests in subsidiaries without losing control | | -7,942 | | | | -7,942 | -9,143 | -17,085 |
| Share-based payment transactions | | 12,202 | | | | 12,202 | | 12,202 |
| Others | | 574 | 192 | | | 767 | -585 | 181 |
| Total | 255 | -26,496 | -38,992 | -36,701 | -3,043 | -104,978 | -23,740 | -128,719 |
| Balance at March 31, 2022 | 237,980 | 2,037,384 | 401,322 | -54,086 | 61,776 | 2,684,377 | 297,819 | 2,982,197 |

(5) Consolidated Statement of Cash Flows

(Millions of yen)

| | Fiscal year ended Mar. 31, 2021 | Fiscal year ended Mar. 31, 2022 |
|---|------------------------------------|------------------------------------|
| | Amount | Amount |
| Cash flows from operating activities: | | |
| Profit before tax | 142,615 | 158,542 |
| Depreciation and amortization | 102,080 | 135,744 |
| Gain on sales of shares of subsidiaries | -649 | -15,022 |
| Gain on loss of control of subsidiary | — | -6,667 |
| Gain on share exchange | — | -8,892 |
| Equity in losses of associates and joint ventures | 19,418 | 46,135 |
| Impairment loss on investments in associates and joint ventures | — | 18,378 |
| Increase in call loans in banking business | -65,000 | -15,000 |
| Decrease in trade and other receivables | 10,557 | 10,267 |
| Increase in trade and other payables | 3,386 | 21,743 |
| Increase in loans in credit card business | -65,709 | -67,573 |
| Increase in loans in banking business | -148,295 | -167,572 |
| Increase in customer deposits in banking business | 283,087 | 244,969 |
| Others | -19,513 | 10,152 |
| Subtotal | 261,977 | 365,205 |
| Interest and dividends received | 903 | 2,394 |
| Interest paid | -5,475 | -12,517 |
| Income taxes—paid | -159,061 | -110,127 |
| Income taxes—refunded | 109,578 | 21,359 |
| Net cash generated by operating activities | 207,921 | 266,314 |
| Cash flows from investing activities: | | |
| Purchase of investment securities in banking business | -354,684 | -201,031 |
| Proceeds from sales/redemption of investment securities in banking business | 251,900 | 251,663 |
| Purchase of other investments | -30,221 | -120,276 |
| Proceeds from sales/redemption of investments | 15,717 | 31,323 |
| Purchase of property and equipment | -28,578 | -51,772 |
| Purchase of intangible assets | -42,163 | -220,861 |
| Proceeds from loss of control of subsidiaries | — | 16,122 |
| Others | 175,679 | -9,065 |
| Net cash used in investing activities | -12,349 | -303,899 |
| Cash flows from financing activities: | | |
| Net decrease in short-term borrowings | -277,298 | -13,761 |
| Proceeds from long-term borrowings | 177,896 | 213,702 |
| Repayments of long-term borrowings | -23,439 | -140,458 |
| Proceeds from sale of treasury stock of subsidiaries | 580 | 11,416 |
| Purchase of treasury stock of subsidiaries | -0 | -34,977 |
| Purchase of treasury stock | -2 | -68,289 |
| Proceeds from issuance of corporate bonds | 199,367 | 100,000 |
| Redemption of corporate bonds | -10,000 | -40,000 |
| Proceeds from issuance of commercial papers | — | 645,500 |
| Redemption of commercial papers | — | -496,500 |
| Dividends paid | -42,190 | -42,230 |
| Dividends paid to non-controlling interests | -6,967 | -10,263 |
| Repayment of lease liabilities | -28,782 | -38,312 |
| Others | -1,233 | 5,803 |

| | Fiscal year ended Mar. 31, 2021 | Fiscal year ended Mar. 31, 2022 |
|---|------------------------------------|------------------------------------|
| Net cash generated by (used in) financing activities | -12,070 | 91,630 |
| Effects of exchange rate changes on cash and cash equivalents | 2,124 | 7,750 |
| Net increase in cash and cash equivalents | 185,626 | 61,796 |
| 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 | 1,065,726 | 1,127,523 |

(6) Going Concern Assumption

Not applicable.

(7) Notes to Consolidated Financial Statements

1. Significant Accounting Policies

The significant accounting policies applied by the Z Holdings Group in preparing the statements are the same as those applied to Consolidated Financial Statements for the previous fiscal year.

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 consolidated fiscal year. As of this moment, it is difficult to make a reasonable estimate of the duration and extent of the impact of the COVID-19 infection. If there is a delay in the curbing of the outbreak, this will affect the Group's future earnings and cash flows and there will be certain uncertainties in the estimates. In this situation, the Group reasonably estimates the amount on the evaluations of: impairment of goodwill, property and equipment, right-of-use assets and intangible assets; fair value of investments; and expected credit losses related to receivables, etc. When the Group makes the estimates, it takes 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 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 consolidated fiscal year (April 1, 2021 – March 31, 2022)

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 fiscal year ended 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 said 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. 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 control 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 JPY 394,413 million. 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. Segment Information

The Group's reporting segments are business segments for which it is possible to obtain financial information separate from the overall compositional structure of the Group. The Board of Directors of Z Holdings Corporation regularly examines this information in order to decide on allocation of business resources to evaluate business performance.

The Group's reporting segments comprise three business segments, the Media Business, the Commerce Business and the Strategic Business.

The Media Business mainly plans and operates each service for the purpose of planning, sales, and placement of advertising products, provides information listing services, and provides other corporate services.

The Commerce Business mainly sells products, plans and provides services via the Internet to small and medium-sized business enterprises and to individuals.

The Strategic Business mainly offers payment and finance-related services.

The Others segment contains business segments not covered in the reporting segments, including services related to cloud, etc.

The accounting policies adopted for each reporting segment are the same as the Group's accounting policies referred to in 1. Significant Accounting Policies. Segment income is adjusted with the operating income in the Consolidated Statement of Profit or Loss. The adjustment figures for segment income is general corporate expenses not belonging to each reporting segment. General corporate expenses principally comprise general and administrative expenses not belonging to each reporting segment. Inter segment revenue is based on actual market prices.

The Z Holdings Group revised the management classification of the segments from April 1, 2021, accompanying the business integration with LINE Corporation, and changed from two segments, the Media Business and the Commerce Business, to three segments mentioned above. Additionally, the Group has transferred part of its services and subsidiaries between segments.

Major changes include payment and finance-related services included in the Commerce Business in the previous consolidated fiscal year transferred to the newly-established Strategic Business. Out of LINE-related services, media/advertising, content and sticker-related services included in the Others segment in the previous consolidated fiscal year were transferred to the Media Business; shopping, O2O and LINE FRIENDS-related services were transferred to the Commerce Business; and payment, finance, AI, and healthcare-related services were transferred to the Strategic Business.

Along with this, segment information of the previous consolidated fiscal year has been retroactively adjusted to the current segments.

The Group's segment information is as follows:

Prior Consolidated Fiscal Year (April 1, 2020 – March 31, 2021)

(Millions of yen)

| | Reporting segment | | | | Others | Adjustment figures | Consolidated figures |
|---|-------------------|-------------------|--------------------|-----------|--------|--------------------|----------------------|
| | Media Business | Commerce Business | Strategic Business | Total | | | |
| Revenue | | | | | | | |
| Sales to customers | 365,083 | 744,754 | 85,591 | 1,195,429 | 10,417 | — | 1,205,846 |
| Intersegment sales | 1,840 | 1,361 | 1,847 | 5,050 | 7,739 | -12,790 | — |
| Total | 366,924 | 746,116 | 87,438 | 1,200,479 | 18,157 | -12,790 | 1,205,846 |
| Segment income/loss | 152,988 | 103,200 | 2,875 | 259,065 | 1,314 | -98,255 | 162,125 |
| Other non-operating income | | | | | | | 9,783 |
| Other non-operating expenses | | | | | | | 9,875 |
| Equity in losses of associates and joint ventures | | | | | | | -19,418 |
| Profit before tax | | | | | | | 142,615 |
| Others | | | | | | | |
| Depreciation and amortization (*) | 8,068 | 47,914 | 8,269 | 64,252 | 2,662 | 35,166 | 102,080 |

* Includes the amortization of the right-of-use assets

Current Consolidated Fiscal Year (April 1, 2021 – March 31, 2022)

(Millions of yen)

| | Reporting segment | | | | Others | Adjustment figures | Consolidated figures |
|---|-------------------|-------------------|--------------------|-----------|--------|--------------------|----------------------|
| | Media Business | Commerce Business | Strategic Business | Total | | | |
| Revenue | | | | | | | |
| Sales to customers | 632,777 | 809,130 | 110,415 | 1,552,323 | 15,098 | — | 1,567,421 |
| Intersegment sales | 6,809 | 1,790 | 5,750 | 14,351 | 7,564 | -21,915 | — |
| Total | 639,587 | 810,920 | 116,166 | 1,566,674 | 22,662 | -21,915 | 1,567,421 |
| Segment income/loss (*2,3) | 250,196 | 79,199 | -22,609 | 306,787 | -5,952 | -111,330 | 189,503 |
| Other non-operating income | | | | | | | 36,637 |
| Other non-operating expenses | | | | | | | 11,976 |
| Gain on share exchange | | | | | | | 8,892 |
| Equity in losses of associates and joint ventures | | | | | | | -46,135 |
| Impairment loss on investments in associates and joint ventures | | | | | | | 18,378 |
| Profit before tax | | | | | | | 158,542 |
| Others | | | | | | | |
| Depreciation and amortization (*1) | 22,572 | 51,153 | 11,421 | 85,148 | 3,974 | 46,622 | 135,744 |

*1 Includes the amortization of the right-of-use assets

*2 Segment income of the Strategic Business includes gain on sale of shares of subsidiaries of 15,022 million yen (Please refer to 5. Gain on sale of shares of subsidiaries).

*3 Segment income of the Media Business includes gain on loss of control of subsidiary of 6,667 million yen (Please refer to 6. Gain on loss of control of subsidiary).

5. Gain on sale of shares of subsidiaries

This consolidated fiscal year (April 1, 2021 – March 31, 2022)

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 this consolidated fiscal year. The transfer price was 28,729 million yen.

6. Gain on loss of control of subsidiary

This consolidated fiscal year (April 1, 2021 – March 31, 2022)

The outline of the gain on loss of control of subsidiary is as follows:

On September 30, 2021, Z Holdings Corporation entered into a transaction agreement with LINE Digital Frontier Corporation (“LDF”) and NAVER Corporation related to the series of transactions to be implemented on the premise that eBOOK Initiative Japan Co., Ltd. (“eBOOK”) goes private (series of transactions, “Transactions”).

As part of the Transactions, on March 14, 2022, eBOOK sold the shares corresponding to the fractions resulting from the share consolidation, to LDF, and eBOOK ceased to be a subsidiary of the Company. As a result, the Company recorded the gain on loss of control of subsidiary.

7. Gain on share exchange

This consolidated fiscal year (April 1, 2021 – March 31, 2022)

The gain on share exchange was attributed to the triangular share exchange which took place on March 31, 2022, as a result of which LDF became the wholly-owning parent company of eBOOK, and eBOOK became the wholly-owned subsidiary company. The consideration for the triangular share exchange was the shares of eBOOK possessed by Yahoo Japan Corporation and the shares of WEBTOON Entertainment Inc. respectively.

8. Impairment loss on investments in associates and joint ventures

This consolidated fiscal year (April 1, 2021 – March 31, 2022)

Impairment loss on investments in associates and joint ventures of 18,378 million yen has been recognized in this consolidated fiscal year. The Company determined that there were indications of impairment of investments accounted for under the equity method related to Demae-can Co., Ltd., and performed an impairment test. As a result, 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. The recoverable amount is measured by value in use, which is calculated by applying a pre-tax discount rate of 14.1% to estimated future cash flow.

9. Per Share Information

Basic earnings per share attributable to owners of the parent and diluted earnings per share are calculated on the following basis:

| | Fiscal year ended March 31, 2021 | Fiscal year ended March 31, 2022 |
|---|-------------------------------------|-------------------------------------|
| | Amount | Amount |
| Basic earnings per share (yen) | 14.02 | 10.20 |
| Profit for the year attributable to owners of the parent (million yen) | 70,145 | 77,316 |
| Profit for the year not attributable to owners of the parent (million yen) | — | — |
| Profit for the year used in the calculation of basic earnings per share (million yen) | 70,145 | 77,316 |
| Weighted-average number of common stock (1,000 shares) | 5,003,819 | 7,580,032 |
| Diluted earnings per share (yen) | 14.01 | 10.14 |
| Adjustments on profit for the year (million yen) | — | — |
| Increase in the number of common stock (1,000 shares) | 3,149 | 42,814 |
| Potential common stock that are anti-dilutive and therefore excluded from the calculation of diluted earnings per share | — | — |

10. Significant Subsequent Events

Not applicable.

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.