

Z Holdings Corporation Business Results

FY2020 Q1 (April – June)

July 31, 2020

Z HOLDINGS

1

**FY2020 Q1 Financial Results
& Impact of COVID-19**

2

Business Topics

3

Company-wide Initiatives

4

Appendix

FY2020 Q1 Financial Results - Topics

Q1 Financial results

Revenue **increased YoY 14.8%**; net income decreased YoY **16.9%**

- Revenue increased due to **growth of Commerce business**; Shopping business transaction value **increased YoY 85.9%**
- **For the first time, op. income of Commerce business surpassed that of Media business**, due to synergy effects among group companies (Yahoo Japan, ASKUL, ZOZO, etc.) and company-wide cost cuts
- Slight increase in total advertising revenue (YoY +1.2%) due to decrease in ad placements impacted by COVID-19
- Net income decreased YoY due to recording of gain on change in equity interest in PayPay Corporation in FY2019 Q1

Full year financial results

Aim for **2 consecutive terms of increase in revenue & op. income**; continue to leverage our diversified business portfolio

Business topics

Unify brands of our financial services to **“PayPay”**; promote multi-partnership strategy

FY2020 Q1 Consolidated income statement

Increase in revenue and operating income leveraging diversified business portfolio

Item	FY2019 Q1	FY2020 Q1	YoY
Revenue	238.6 (¥B)	273.8 (¥B)	+14.8 %
Operating income	36.1 (¥B)	50.6 (¥B)	+40.0 %
EBITDA ^{*1}	54.0 (¥B)	75.3 (¥B)	+39.5 %
Other non-operating income and expenses	^{*2} 11.0 (¥B)	-1.9 (¥B)	n.a.
Equity in earnings of associates and joint venture ^{*3}	-5.9 (¥B)	-3.7 (¥B)	n.a.
Net income attributable to owners of the parent	27.3 (¥B)	22.7 (¥B)	-16.9 %
Diluted EPS	¥5.40	¥4.78	-11.5 %
Net leverage ratio ^{*4}	0.56 X	2.74 X	n.a.

*1 Change in EBITDA is mainly due to application of IFRS 16, Leases

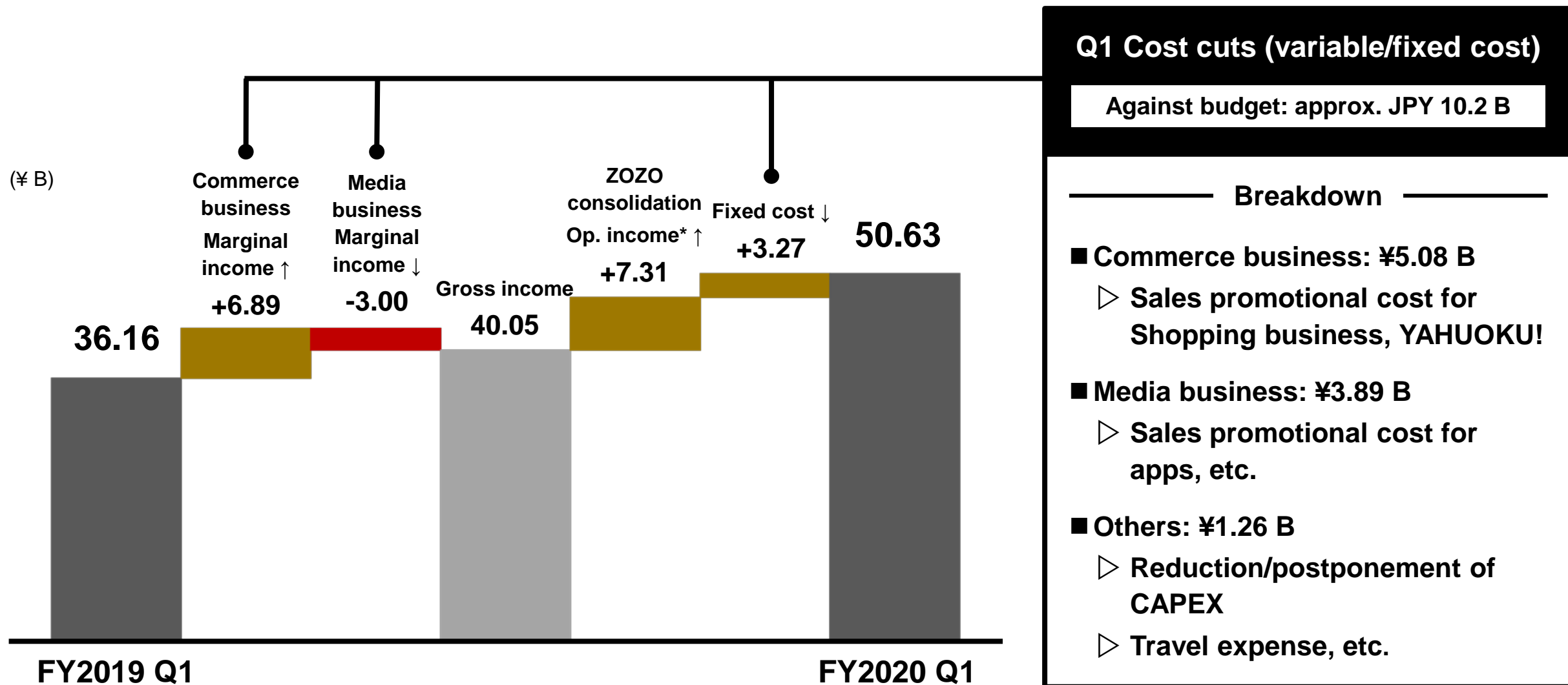
*2 Includes gain on change in equity interest in PayPay Corporation (¥10.8 B)

*3 Mainly due to PayPay Corporation

*4 Net leverage ratio = Net interest-bearing debt/EBITDA Excludes banking business. Figures for the most recent 12 months used for calculating EBITDA. Includes impact of IFRS16.

Factors of change in operating income



Growth in Commerce business and cost cuts contributed to increase in op. income



* Reflects amortization of identifiable assets as a result of PPA

Impact of COVID-19

Business environment under COVID-19

		Expansion of domestic EC market	Increase in value of online media
		EC Merchandise	Media/Advertising
Secondary positive impacts	Macro environment	<ul style="list-style-type: none"> • Increase in cocooning consumption due to restraint from going out • Use of EC recommended by government 	<ul style="list-style-type: none"> • Increase in time spent online due to restraint from going out
	Our business environment	<ul style="list-style-type: none"> • Increase in new buyers <ul style="list-style-type: none"> ▷ Q1 YoY+54% • Increase in new stores <ul style="list-style-type: none"> ▷ Q1 YoY+37% <div style="display: flex; align-items: center; justify-content: center;">   </div>	<ul style="list-style-type: none"> • Increase in usage time via PC <ul style="list-style-type: none"> ▷ Q1 YoY+9.7%
Negative impacts	Macro environment	<ul style="list-style-type: none"> • Logistical constraints due to oversupply 	<ul style="list-style-type: none"> • Reduction in advertisers' marketing budget
	Our business environment	<ul style="list-style-type: none"> • Decrease in demand for office supplies/BtoB products due to remote working 	<ul style="list-style-type: none"> • Decrease in advertising demand from specific industries (e.g. travel/recruitment)

Slight increase in total advertising revenue, but strong growth in transaction value of EC (merchandise) business

Item	FY2020 Q1	YoY
Merchandise transaction value	653.6 (¥B)	+37.4 %
Shopping business transaction value	379.3 (¥B)	+85.9 %
Reuse business transaction value	202.0 (¥B)	+0.8 %
Credit card transaction value	556.3 (¥B)	+31.3 %
Total advertising revenue	79.1 (¥B)	+1.2 %

Provision of service/functions adapted to users' needs during COVID-19

Commerce



PayPay Mall

Displayed inventory in physical stores



YAHOO! JAPAN Shopping

Stay Home Feature



ジャパンネット銀行

(The Japan Net Bank)

Business loan support to corporations/individual proprietors

Media/Search



YAHOO! JAPAN

Newly installed a COVID-19 tab



YAHOO! JAPAN News

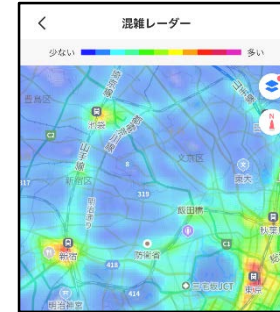
Special feature: How do we live with the coronavirus?



YAHOO! JAPAN Search

Info on government's special cash handouts by municipalities

Media/Search – new functions



YAHOO! JAPAN Maps

Congestion radar



YAHOO! JAPAN Search

Congestion status of facilities



YAHOO! JAPAN Transit Information

Congestion status of train routes

Most trusted Japanese platform operator

Nielsen, April 2020
Monthly Total Report

No. 1
Total digital users

Rank	Brand	MAU	Reach
1	Yahoo Japan	79.50 mil	63.6%
2	Google	73.45 mil	58.8%
3	LINE	66.89 mil	53.5%
4	Rakuten	57.70 mil	46.2%
5	Amazon	52.35 mil	42.0%

Source: Nielsen April 2020, Monthly Total Report
Total no. of digital users TOP10

Nikkei BP Consulting, Web Brand Survey
2020 Spring/Summer (April)

No. 1
in Web brand survey

Rank	Website	Score	Difference
1	Yahoo! JAPAN	118.3	+11.7
2	Rakuten Ichiba	116.2	+1.4
3	Google	99.4	+0.8
4	Amazon.co.jp	98.1	-1.5
5	YouTube	94.9	+6.5

Source: Nikkei BP Consulting, Web Brand Survey 2020
Spring/Summer (April)

Toyo Keizai, 2020 CSR Ranking

No. 1
in [Governance+Social] division

Rank	Company	Points
1	Z Holdings	100.0
2	NTT Docomo	99.4
2	Omron	99.4
4	Seiko Epson	98.9
4	SOMPO Holdings	98.9

Source : Toyo Keizai, Top 500 CSR companies most
trusted under COVID-19 (July)

Challenging a new work style adapted to the “new normal”

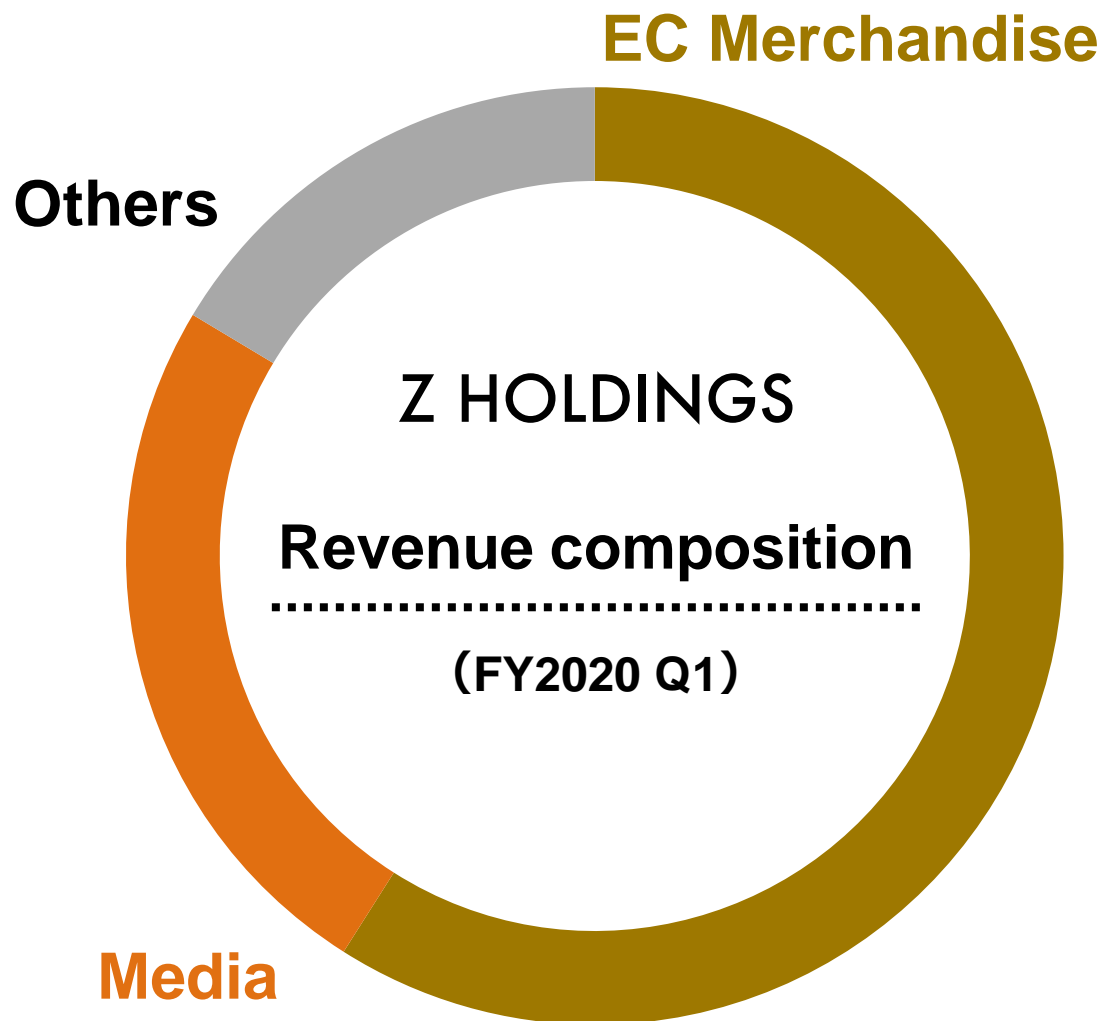
Transition to a new work style leveraging information technology (From Oct. 2020)

	Before		After
(1) Remote work	5 times/month (Max.)	▶	No limit
(2) Flex time	Core time (10:00-15:00)	▶	Abolish core time
(3) Subsidies	¥3,000/month (subsidy for tele- communication expense)	▶	Max. ¥7,000/month (Telecommunication subsidy/allowance for remote work)
(4) Transportation	Payment of commuter pass fee	▶	Stop paying commuter pass fee (Actual transportation expense to be paid instead)
(5) Gig workers	Allowed employees' side business Did not accept outside workers as gig workers	▶	Accept outside workers as gig workers Begin “Gig Partner” program

Ad placed in nation-wide
newspapers (July 16)



Our target for this fiscal year



ワイズ・インシュアランス株式会社

Magne-Max Capital Management

e book
Japan

ジャパンネット銀行

carview

dely

Sportsnavi

ZOZO

YAHOO!
JAPAN

PayPay

Will aim to increase both revenue and operating income for the full year leveraging our diverse business portfolio

ASKUL

Z financial

体.com

ワイジェイカード株式会社

VALUE
COMMERCE

GYAO
Entertainment Company

YJ Capital

スタンバイ

アストマックス投信投資顧問株式会社

YJFX!
from YAHOO!
JAPAN

Business Topics

| Commerce Business

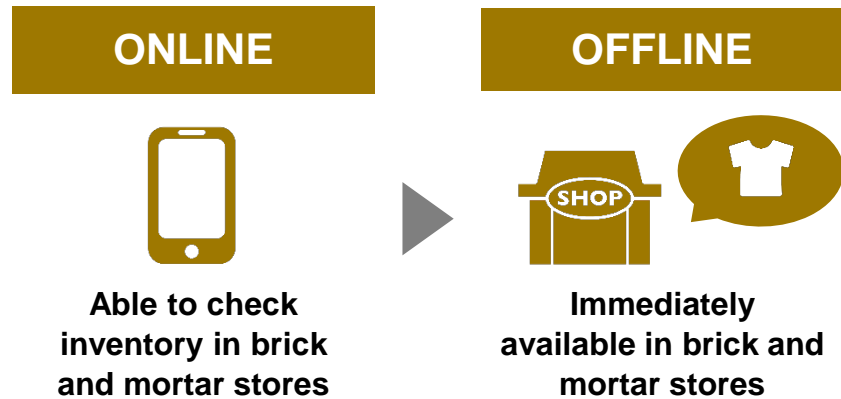
FY2020 Q1 Commerce business – KPI results

Item	Q1 Actual results	YoY	Major measures/Major factors of change
EC transaction value	707.3 (¥B)	+21.1 %	
Merchandise transaction value	653.6 (¥B)	+37.4 %	
Shopping business transaction value	379.3 (¥B)	+85.9 %	<ul style="list-style-type: none"> Expanded due to consolidation of ZOZO (Excluding ZOZOTOWN Main Store: YoY+42.4%) Expanded due to PayPay Mall Increase in cocooning consumption due to restraint from going out
Reuse business transaction value	202.0 (¥B)	+0.8 %	<ul style="list-style-type: none"> Expanded due to PayPay Flea Market QoQ increase in YAHUOKU! due to increase in visitors
Services and digital contents transaction value	53.7 (¥B)	-50.5 %	<ul style="list-style-type: none"> Large decrease in O2O service due to restraint from going out Gradually showing signs of recovery from June
Credit card transaction value	556.3 (¥B)	+31.3 %	<ul style="list-style-type: none"> Increased due to synergies with PayPay despite decrease in offline usage due to restraint from going out (Mainly travel/dining out)

YAHOO!
JAPAN

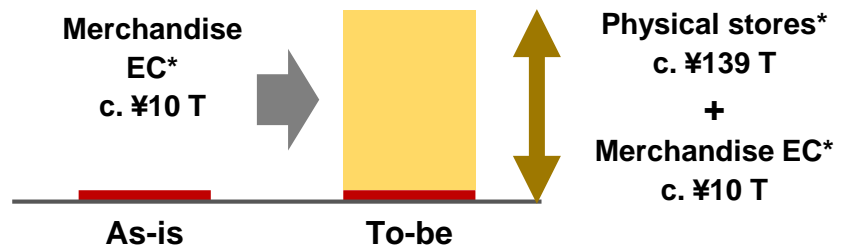
Supporting retailers to expand sales route & maximize sales

X Shopping



Target market - expanding

X Shopping Approx. ¥149 T



Introduced/Scheduled to be introduced (As of end of June)

32 tenants (6,666 offline stores)

.... Examples of companies to which X Shopping is introduced

1964
THE CLOCK HOUSE





Creating synergies in various fields

Item	Expected impacts	
Collaborations in reuse business	<ul style="list-style-type: none"> • Construction of ecosystem with shopping business • Easy listing of items purchased from ZOZOTOWN in PayPay Flea Market 	<p>Implemented in July</p>
Introduction of PayPay	<ul style="list-style-type: none"> • Capturing of PayPay users • Reduction of cost for payment commissions utilizing group companies 	<p>To be implemented in Q2</p>
Collaborations with SoftBank	<ul style="list-style-type: none"> • Promote use by SoftBank users through in-store promotions and provision of benefits 	
Media/Advertising business	<ul style="list-style-type: none"> • Joint promotion of advertising business with Yahoo Japan, using ZOZOTOWN and WEAR 	
Cooperation among engineers	<ul style="list-style-type: none"> • Use of data science • Improvement in product recommendation 	
Linkage in logistics	<ul style="list-style-type: none"> • Use of ZOZOBASE 	

Short term



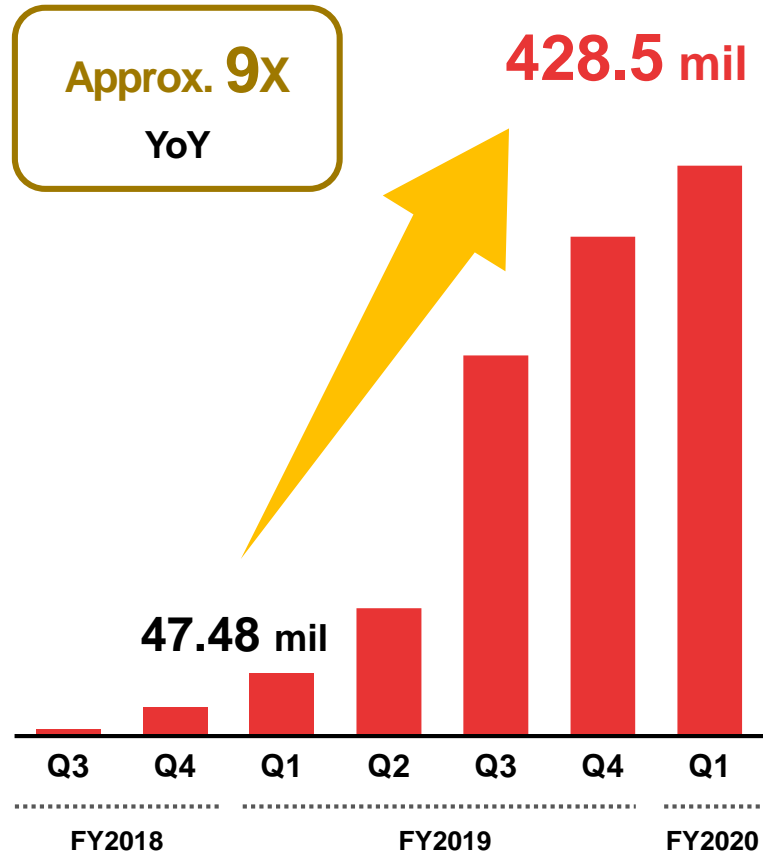
Mid term



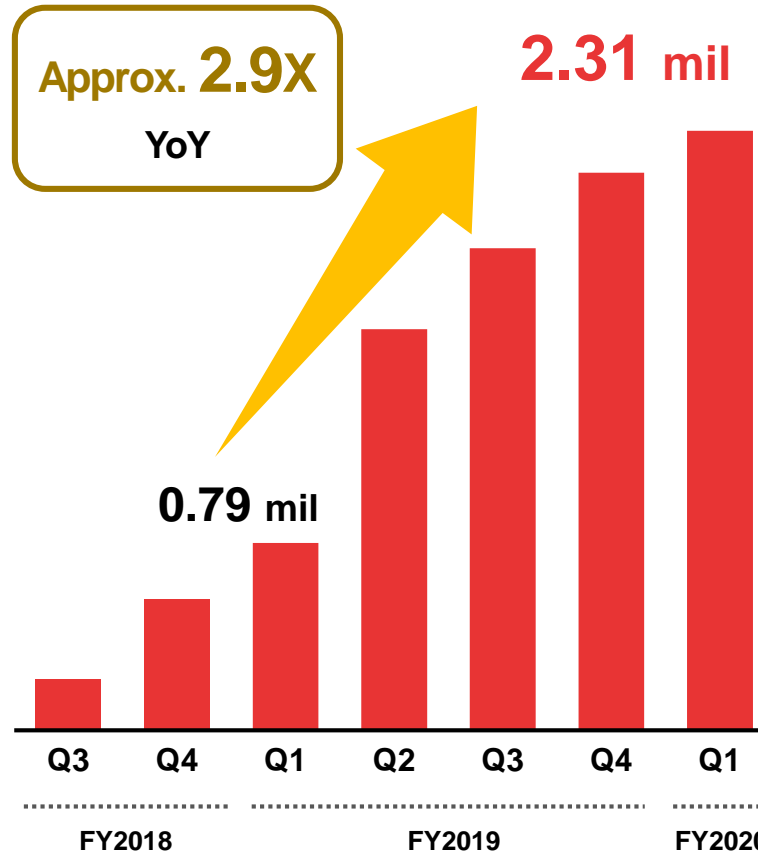
PayPay – KPI

Each KPI growing steadily, despite declining trend in offline use due to COVID-19

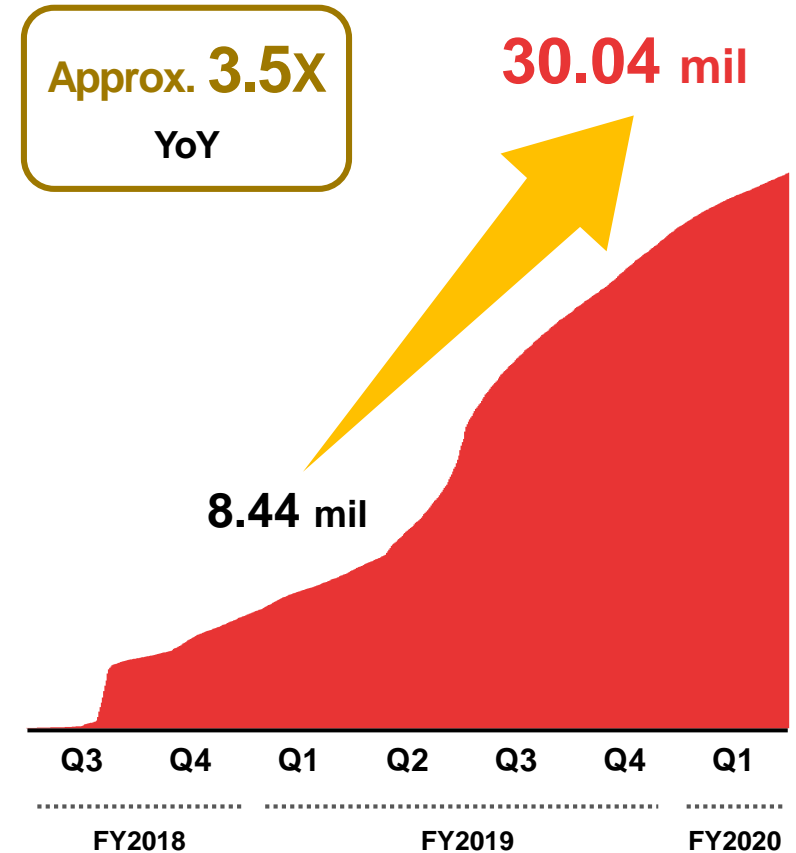
No. of PayPay payments
(quarter)



No. of merchants*
(quarter-end)



No. of registered users
(quarter-end)



*No. of merchant applications to PayPay (e.g. stores, taxis)

PayPay – Developments in monetization services

FY2020

April 15

Finance

Bonus management

“PayPay Atobarai*”

(Lump-sum payment)



Fall 2020:
Plan to expand to all users this fall
※Currently available only to limited users

May 28

Finance

Loan for individuals



June 1

O2O

PayPay Pick Up



Within this fiscal year

Finance



Investment



Insurance



Business loan

O2O





Information distribution
Display of coupons

*Atobarai: Deferred payment

Z financial

Reorganization of financial brands

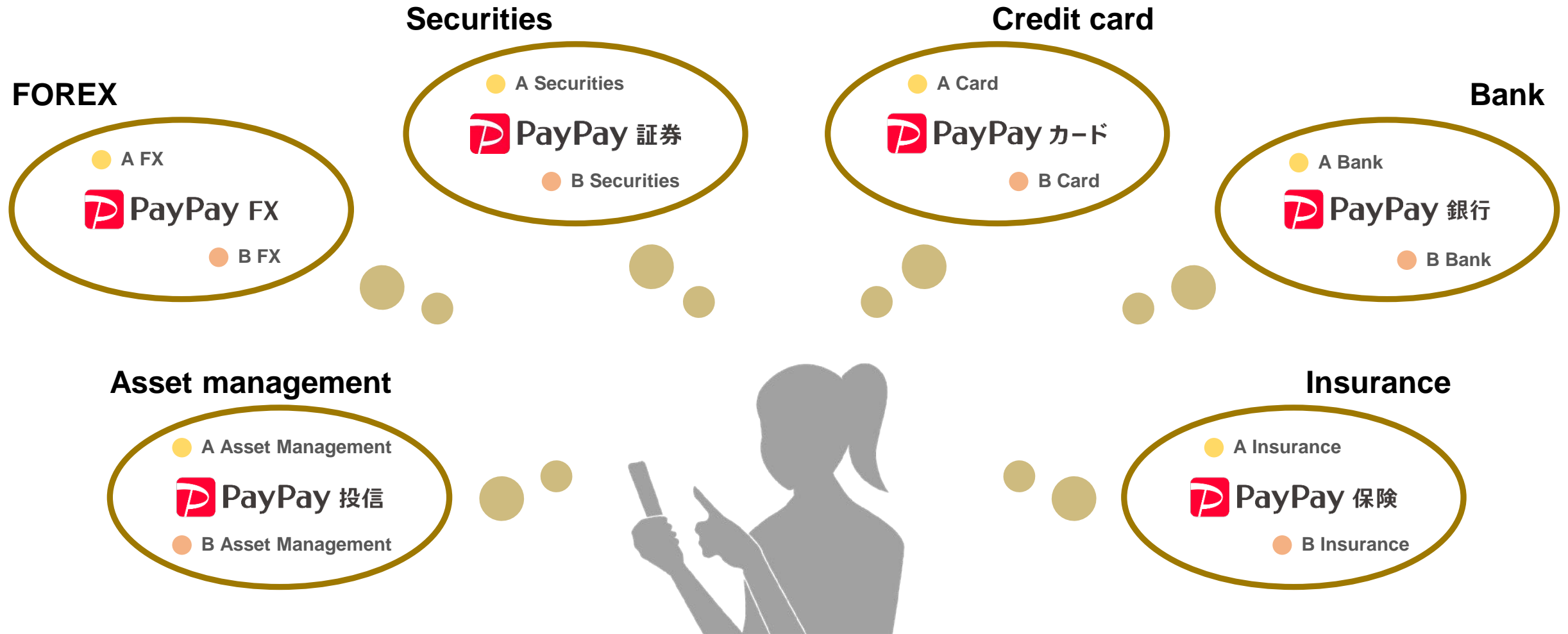
Financial brands to be unified to PayPay, to make full use of our diverse portfolio

	Now		Sequentially from fall 2020
 Credit card	 Yahoo! JAPAN Card	▶	 PayPay Card
 Bank	 The Japan Net Bank	▶	 PayPay Bank
 Securities	 One Tap BUY	▶	 PayPay Securities
 Insurance	 Yahoo! JAPAN Insurance	▶	 PayPay Insurance
 FOREX	 YJFX!	▶	 PayPay FX
 Asset management	 Yjam	▶	 PayPay Investment Trust

Note: Company names scheduled to be changed after approval in shareholders meeting in each company and after approval by governmental agencies, etc.

Multi-partnership strategy

Enrich services through collaborations with financial services of other companies and provide diverse options to our users



**Various promotional
measures for brand
integration coming up!**

(Details to be announced)

Vol. 1

2020 Fall



PayPay Card



Scenario finance initiative - progress

Launching financial products that fit the nature of each service

ヤフオク! (YAHUOKU!)



Repair warranty

Launched in FY2019 Q4

Repair service provided to home appliances/smartphones purchased in YAHUOKU! (Max. warranty: purchase price)
Warranty provided by:
Mitsui Sumitomo Insurance Co., Ltd.

PayPay



Loan

Launched in FY2020 Q1

Application and usage of credit card loan
Provider: The Japan Net Bank

YAHOO! JAPAN Travel



Cancellation insurance

Launched in FY2020 Q2

Coverage of users' cancellation fee for reservations of "Yahoo! JAPAN plan" provided by Ikyu Corporation
Insurance provided by: Mysurance

PayPay Mall



Installments

Scheduled to be sequentially launched from Q3 onwards

YAHOO! JAPAN Car Navigation

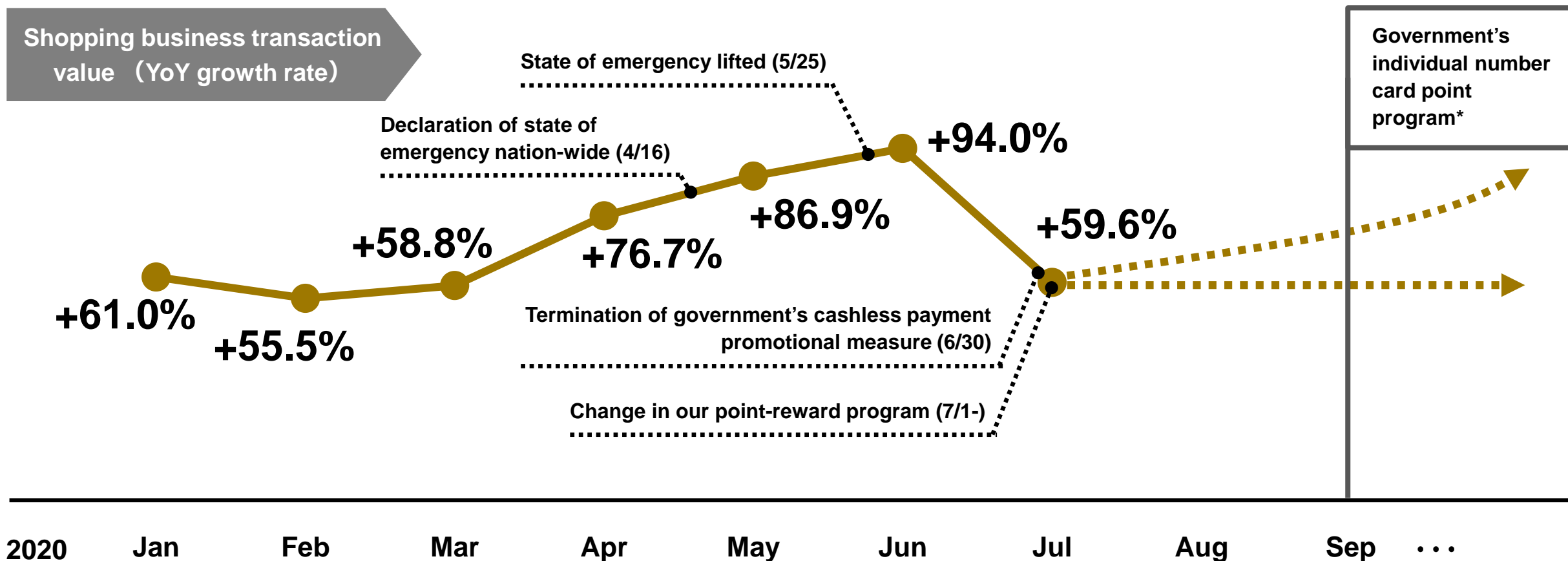


Car insurance

Current Situation and Outlook (Commerce Business)

Current situation and outlook

Growth expected to decline due to relaxed cocooning consumption, termination of government's promotional measures on cashless payment, and changes in our point-reward program



Note: Figure for July is the cumulative figure for July 1 – 26, 2020 and the comparison with the same period last year.

*Japanese government's program to promote registration of individual number card and cashless payment.

| Media Business

Integration of advertising platforms (Sequentially introduced to advertisers from July)

Integrated display advertising/services into one platform

Before

Separate advertising platforms

Yahoo! JAPAN
Premium Ads

Reservation

Yahoo! JAPAN Promotional Ads

Yahoo! JAPAN
Display Ad Network

Programmatic

Sequentially introduced from July onwards

Integrated to “Yahoo! JAPAN Ads”

Display advertising

Reservation advertising

Programmatic advertising

1. Flexible ad placements that meet various purposes

Flexible ad placements that meet various purposes and issues faced by advertisers (from awareness, acquisition to loyalty) provided in one-stop

2. Easy to use ad management tools

Renewed to easy-to-use/operate & intuitive tools

3. Optimal distribution algorithm suited for purpose

From a distribution algorithm mainly geared to website referral, renovated to an optimal distribution algorithm that suits ad purpose

Integration of advertising platforms: Changed classifications to accommodate rebranding of ad products

Before

Classification		Main products
Paid search advertising		Sponsored Search
Display advertising	YDN and others	YDN, Criteo, etc.
	Premium Advertising	Premium Advertising
		Shopping advertising

After

Classification		Main products
Search advertising		Yahoo! JAPAN Ads "Search advertising"
Display advertising	Programmatic advertising	Yahoo! JAPAN Ads "Display ads" (Programmatic-based) <small>Former YDN and others</small>
		Shopping ads (Programmatic-based)
	Reservation advertising	Yahoo! JAPAN Ads "Display ads" (Reservation-based) <small>Former Premium Advertising</small>
		Shopping ads (Reservation-based)

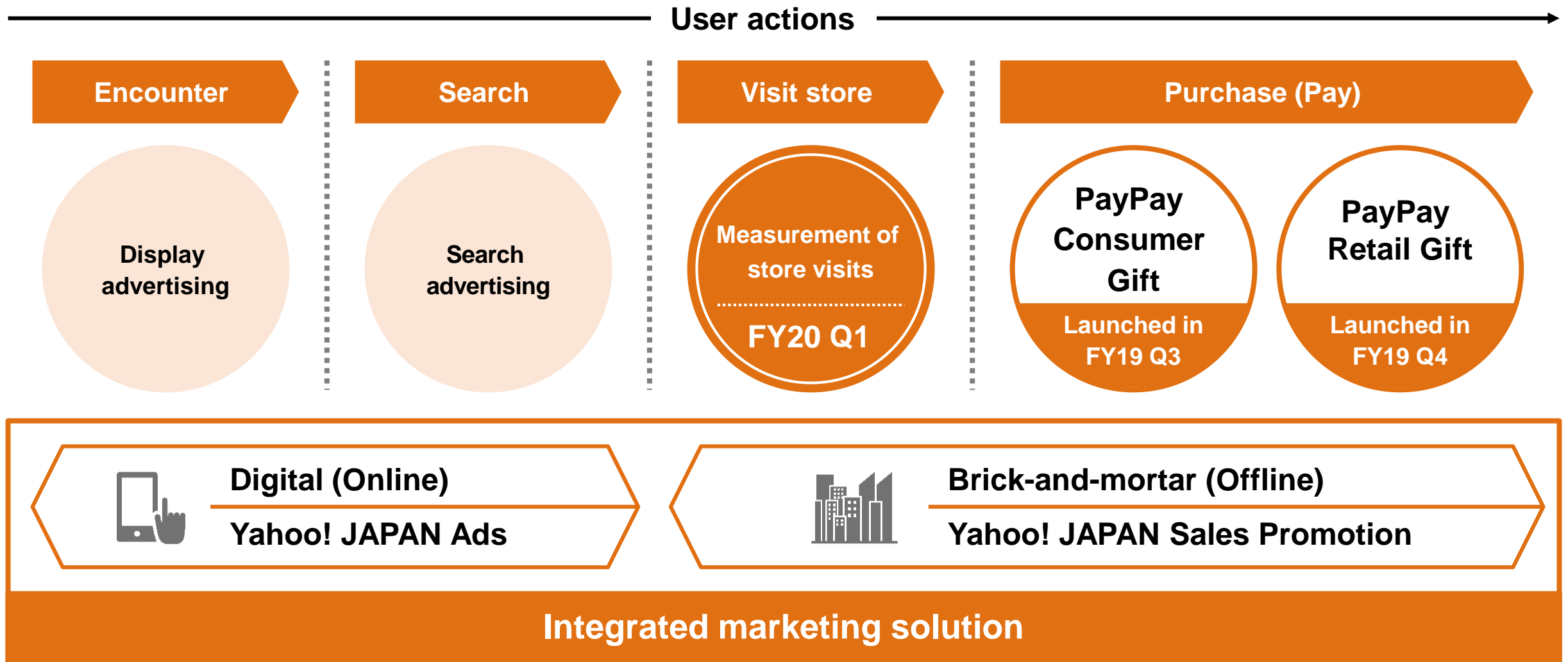


FY2020 Q1 Total advertising revenue - results

Item	Q1 Actual results	YoY	Major measures/Major factors of change
Total advertising revenue	79.1 (¥B)	+1.2 %	
Search advertising	35.4 (¥B)	-11.6 %	<ul style="list-style-type: none"> • Decrease in ad placements due to COVID-19 (Q1 -¥9.7 B)
Display advertising	43.6 (¥B)	+14.7 %	
Programmatic advertising	38.1 (¥B)	+21.5 %	<ul style="list-style-type: none"> • Increase in traffic to media services due to COVID-19 • Successful product-related measures (e.g. addition of header bidding) • Increase in shopping advertising revenue in line with growth in shopping business
Reservation advertising	5.5 (¥B)	-17.1 %	<ul style="list-style-type: none"> • Decrease in ad placements due to COVID-19, despite increased ad placements by governmental authorities

YAHOO!
JAPAN

Visualized Yahoo! JAPAN Ad's referral effect



Measurement of store visits – example

Begin verification of store visit measurements in selected industries

Ad contact



Visit store



Note: The structure of measurement is provided by SoftBank Corp.

This initiative is expected to be deployed in full scale as soon as we are prepared to provide explanations on how we measure store visits and how we handle data (incl. how to stop measurement) to our individual users.

Strengthened sales activities

Collaborations with SoftBank

Acquisition of new clients
Increase ad placements by existing clients



Major client

- Large-scale clients (SoftBank clients)
- Mid-small scale clients (Yahoo! JAPAN clients)



Major proposal

- For SoftBank clients
 - ▶ Proposals leveraging data use
- For Yahoo! JAPAN's existing clients
 - ▶ Build operational support system, new proposals/planning for ad placements



Topics

- Established horizontal sales organization in both companies, in May
- Q1 Revenue from synergy: Approx. ¥3 B* (FY2019 H2 ¥4.4 B)

* Gross revenue before deduction of incentive payments

Joint business plan

Set clear goals with clients and conclude annual contract for collaborations as a business partner

- Large-scale clients

- Proposals leveraging data use
- Mid-long term collaborations throughout the clients' marketing planning



Visualize
Business
issues

Formulate
Marketing
plan

Decide most
suitable
ad distribution

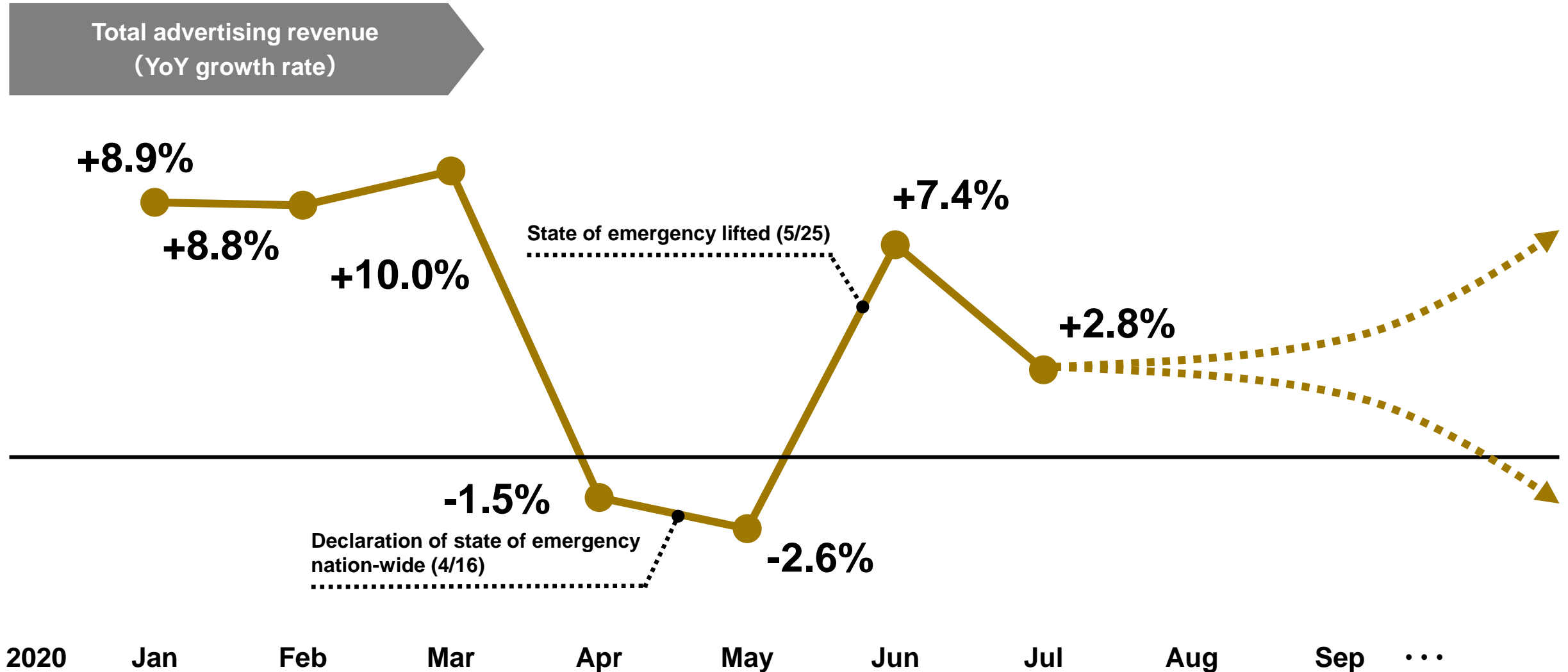
- No. of companies w/ contract* : YoY+133%
- Transaction amount of contract* : YoY+54%

* Actual result as of July 9, 2020

Current Situation and Future Outlook (Media Business)

Current situation and outlook

Outlook of advertising demand continues to be uncertain under COVID-19



Note: Part of the figure for July includes expected figures.

Company-wide Initiative

Z HOLDINGS LINE

- **Procedures and measures under the competition laws of some countries have not been completed*, due in part to the impact of the global spread of COVID-19.**
- **We are currently not aware of any material issues relating to the procedures required, etc.**
- **The completion of the business integration is expected to be later than initially anticipated (October 2020).**
- **A revised schedule will be announced as soon as it is confirmed.**

**Creating a large future that can
only be shaped by Z Holdings**

Z HOLDINGS

**Unleashing the infinite potential of all people,
with the power of information technology**

Appendix

FY2020 Q1 Factors of change in consolidated operating income

Item		Actual results	YoY	Major factors of change
FY2020 Q1 Results		36.1 (¥B)		
YoY difference	Revenue	+35.2 (¥B)	+14.8 %	<ul style="list-style-type: none"> • Increase due to consolidation of ZOZO +33.6 (¥B) • eBOOK +2.3 (¥B) • YJ Card +2.2 (¥B) • Ikyu -3.5 (¥B)
	Cost of sales	-1.6 (¥B)	-1.6 %	<ul style="list-style-type: none"> • Increase due to consolidation of ZOZO +1.5 (¥B) • Decrease in advertising cost of sales due to decrease in advertising revenue (excl. shopping ads) • ASKUL Group -1.8 (¥B)
	SG&A (Major items only↓)	+22.4 (¥B)	+22.3 %	Increase due to consolidation of ZOZO +24.8 (¥B)
	Depreciation and amortization	+7.0 (¥B)	+40.0 %	<ul style="list-style-type: none"> • Increase due to consolidation of ZOZO +5.1 (¥B) • Increase in software, servers, etc.
	Shipping cost	+6.7 (¥B)	+113.8 %	Increase due to consolidation of ZOZO +6.6 (¥B)
	Personnel expenses	+4.9 (¥B)	+20.4 %	Increase due to consolidation of ZOZO +4.6 (¥B)
	Commissions expenses	+2.6 (¥B)	+193.0 %	Increase due to consolidation of ZOZO +2.4 (¥B)
	Business commissions	+2.3 (¥B)	+16.6 %	<ul style="list-style-type: none"> • Increase due to consolidation of ZOZO +3.2 (¥B) • Yahoo Japan -0.8 (¥B)
Sales promotion cost	-4.6 (¥B)	-27.4 %	<ul style="list-style-type: none"> • Decrease due to cost cuts • Increase in point-reward cost due to increase in transaction value 	
FY2020 Q1 Results		50.6 (¥B)	+40.0 %	

FY2020 Q1 Impact from consolidation of ZOZO

Consolidated from Nov. 2019

Item	ZOZO FY2020 Q1	FY2020 Q1 (excl. ZOZO)	YoY
Revenue	33.6 (¥B)	240.2 (¥B)	+0.7 %
Operating income	*1 7.3 (¥B)	43.3 (¥B)	+19.8 %
Net income	4.9 (¥B)	22.5 (¥B)	-19.0 %
Net income attributable to owners of the parent	2.4 (¥B)	20.2 (¥B)	-26.0 %

*1 Reflects amortization of identifiable assets as a result of PPA

Goodwill	Total	212.9 (¥B)
PPA	Total	502.1 (¥B)
	Amortization (FY2020 Q1)	3.3 (¥B)

Item	Amount	Amortization period (Straight line)
Customer base (Shops/users)	322.0 (¥B)	18-25 years
Trademark^{*2}	178.7 (¥B)	-
Others	1.4 (¥B)	4 years

*2 Indefinite-lived intangibles

FY2020 Q1 Statement of financial position

Consolidated (IFRS)

(¥B)	FY2019 Q4	FY2020 Q1	Difference
Assets	3,933.9	3,980.3	46.4
Cash and cash equivalents	880.1	902.5	22.4
Trade and other receivables	386.7	399.4	12.6
Loans in credit card business	342.2	342.9	0.7
Investment securities in banking business	415.8	422.9	7.1
Property and equipment	131.2	131.1	-0.0
Intangible assets	679.3	677.4	-1.9
Liabilities	2,886.0	2,948.3	62.2
Trade and other payables	487.2	474.0	-13.1
Customer deposit in banking business	903.1	1,009.4	106.3
Interest-bearing liabilities	1,086.4	1,194.9	108.4
Equity	1,047.8	1,031.9	-15.8

The Japan Net Bank, Limited (JGAAP)

(¥B)	FY2019 Q4	FY2020 Q1	Difference
Assets	995.5	1,109.3	113.8
Cash and cash equivalents	323.3	425.6	102.2
Trade and other receivables	20.5	21.8	1.2
Loans in credit card business	—	—	—
Investment securities in banking business	425.8	432.9	7.1
Property and equipment	0.6	0.6	-0.0
Intangible assets	7.0	6.9	-0.0
Liabilities	941.0	1,053.6	112.6
Trade and other payables	15.5	15.8	0.3
Customer deposit in banking business	920.3	1,033.6	113.2
Interest-bearing liabilities	—	—	—
Equity	54.5	55.6	1.1

Note: Figures before internal transactions within the Group are eliminated.

YJ Card Corporation (JGAAP)

(¥B)	FY2019 Q4	FY2020 Q1	Difference
Assets	554.2	566.4	12.1
Cash and cash equivalents	127.4	126.7	-0.7
Trade and other receivables	14.8	26.2	11.3
Loans in credit card business	337.4	337.4	0.0
Investment securities in banking business	—	—	—
Property and equipment	4.8	4.7	-0.1
Intangible assets	29.4	29.5	0.1
Liabilities	523.2	533.7	10.4
Trade and other payables	265.5	272.9	7.4
Customer deposit in banking business	—	—	—
Interest-bearing liabilities	245.3	249.3	3.9
Equity	30.9	32.6	1.6

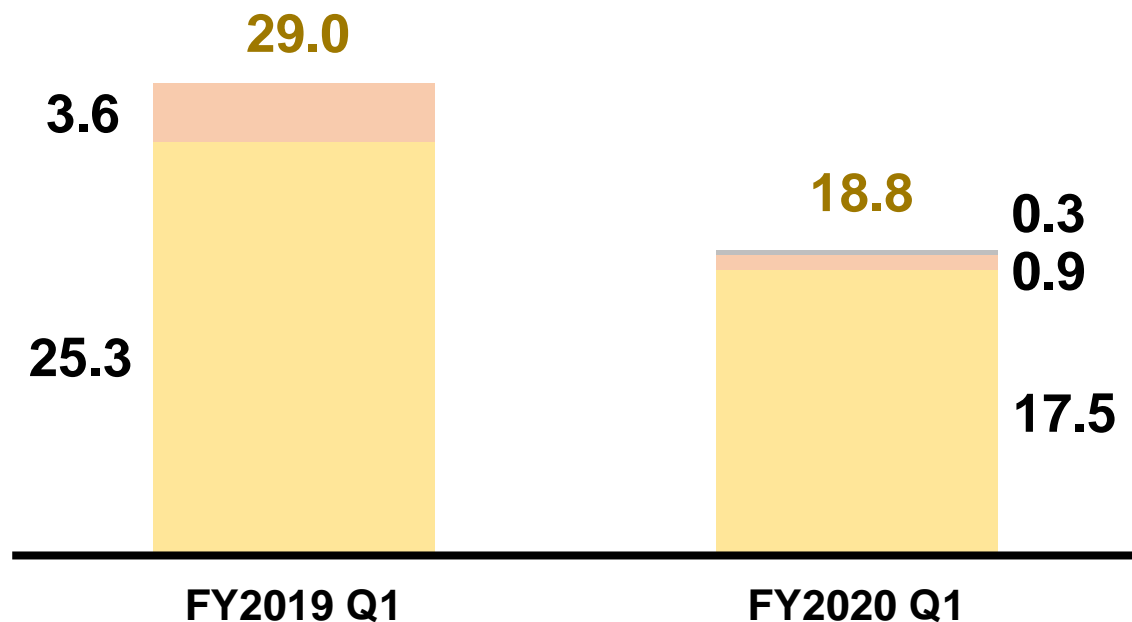
Note: Figures before internal transactions within the Group are eliminated.

Financial data

CAPEX

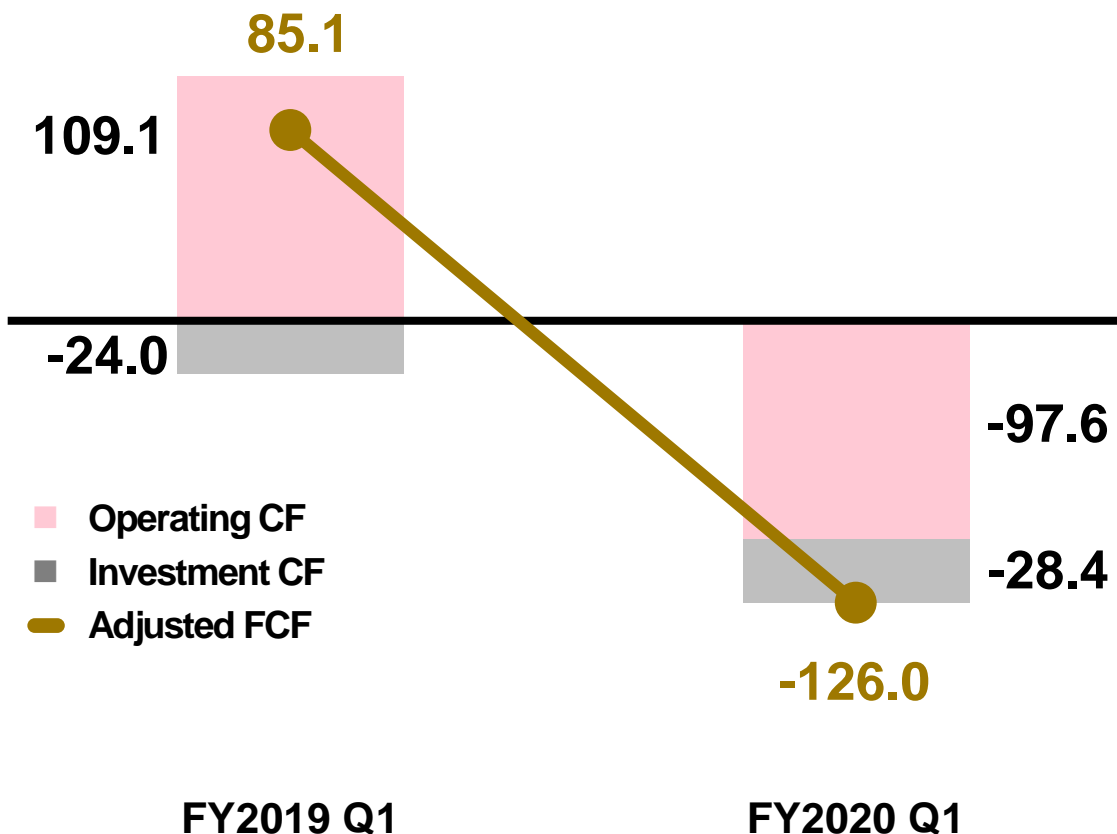
(¥B)

- Impact of ZOZO consolidation*
- Right-of-use assets
- Property & equipment/Intangible assets



Adjusted FCF

(¥B)



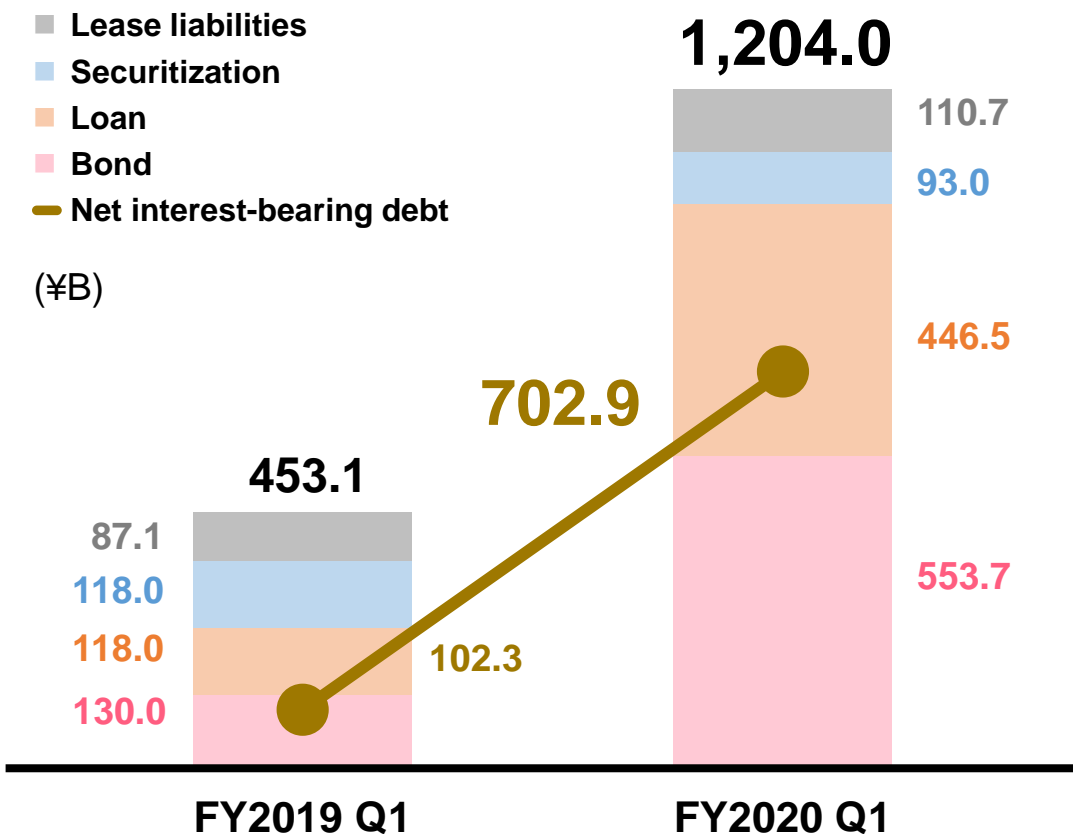
* Includes right-of-use assets of ZOZO, Inc.

Note: Excludes banking business.
Securitization of credit card receivables is added in operating cash flow.

Financial data

Interest-bearing debt/Net interest-bearing debt

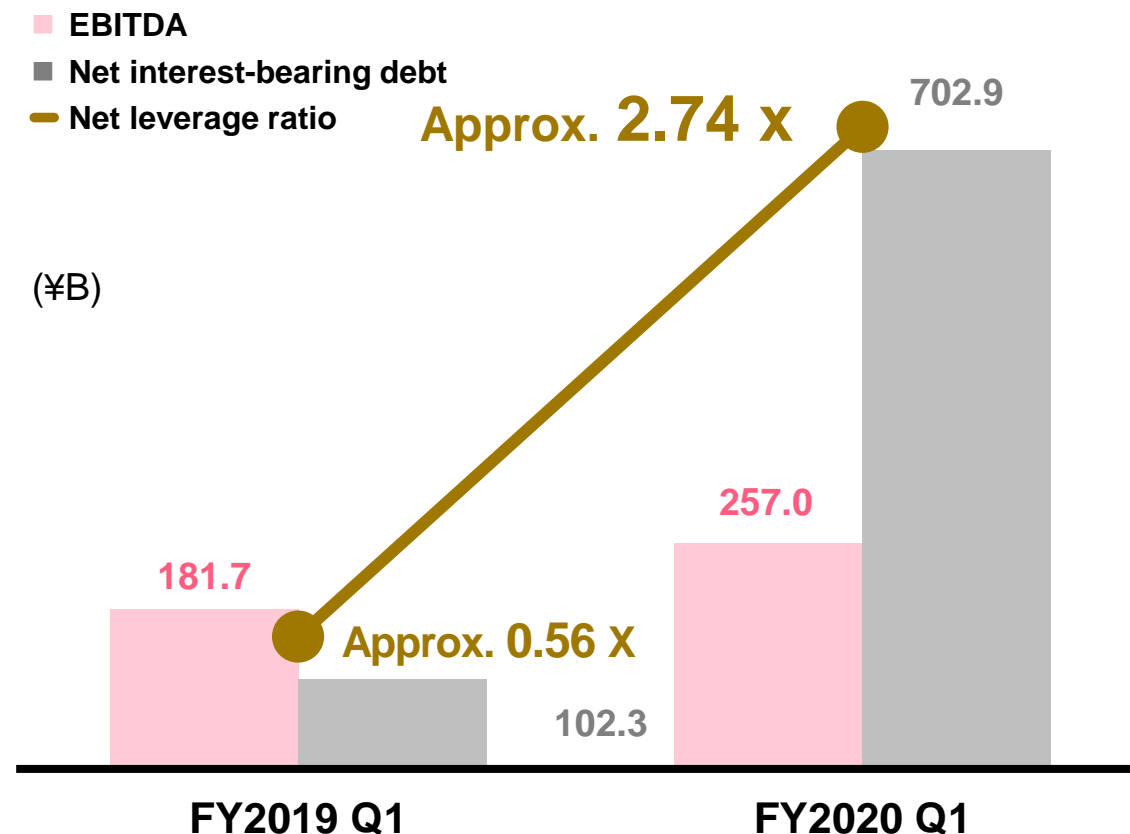
(Excludes banking business)



Note: Net interest-bearing debt = Interest bearing debt – Cash and cash equivalents
Includes impact of application of IFRS 16.

Net leverage ratio

(Excludes banking business)



Note: Net leverage ratio = Net interest-bearing debt/EBITDA
Figures for the most recent 12 months used for calculating EBITDA.
Includes impact of application of IFRS 16.

Major funding activities

Amidst market uncertainties due to COVID-19, issued a total of ¥200 B corporate bonds

..... **Refinanced the funding for acquiring ZOZO, and secured stable sources of funds**

Series	Amount	Interest rate	Redemption
14th Series Unsecured Bonds (1.5 year bond)	25 (¥B)	0.20 %	Dec. 2021
15th Series Unsecured Bonds (3 year bond)	80 (¥B)	0.35 %	Jun. 2023
16th Series Unsecured Bonds (5 year bond)	70 (¥B)	0.60 %	Jun. 2025
17th Series Unsecured Bonds (7 year bond)	15 (¥B)	0.79 %	Jun. 2027
18th Series Unsecured Bonds (10 year bond)	10 (¥B)	0.90 %	Jun. 2030

From Y to Z - Structure that creates a greater future

Z HOLDINGS

President & Representative Director
Kentaro Kawabe



President &
Representative
Director
Kentaro Kawabe



Z financial

President &
Representative
Director
Tomoaki Tanida

Commerce
Business

Commerce business
(E-commerce, Finance, etc.)

Consolidated subsidiaries
directly under Z Holdings

Group companies directly under
Z Financial

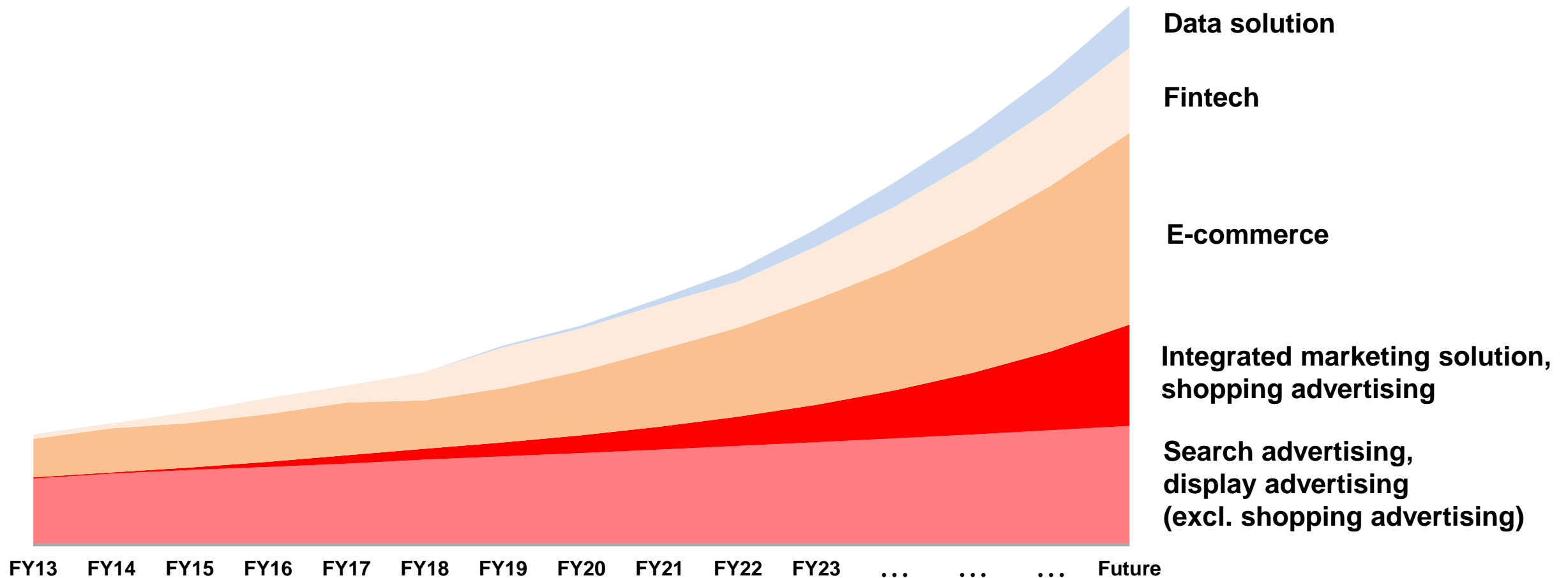
Media
Business

Media business
(Media, Advertising, etc.)

Consolidated subsidiaries
directly under Z Holdings

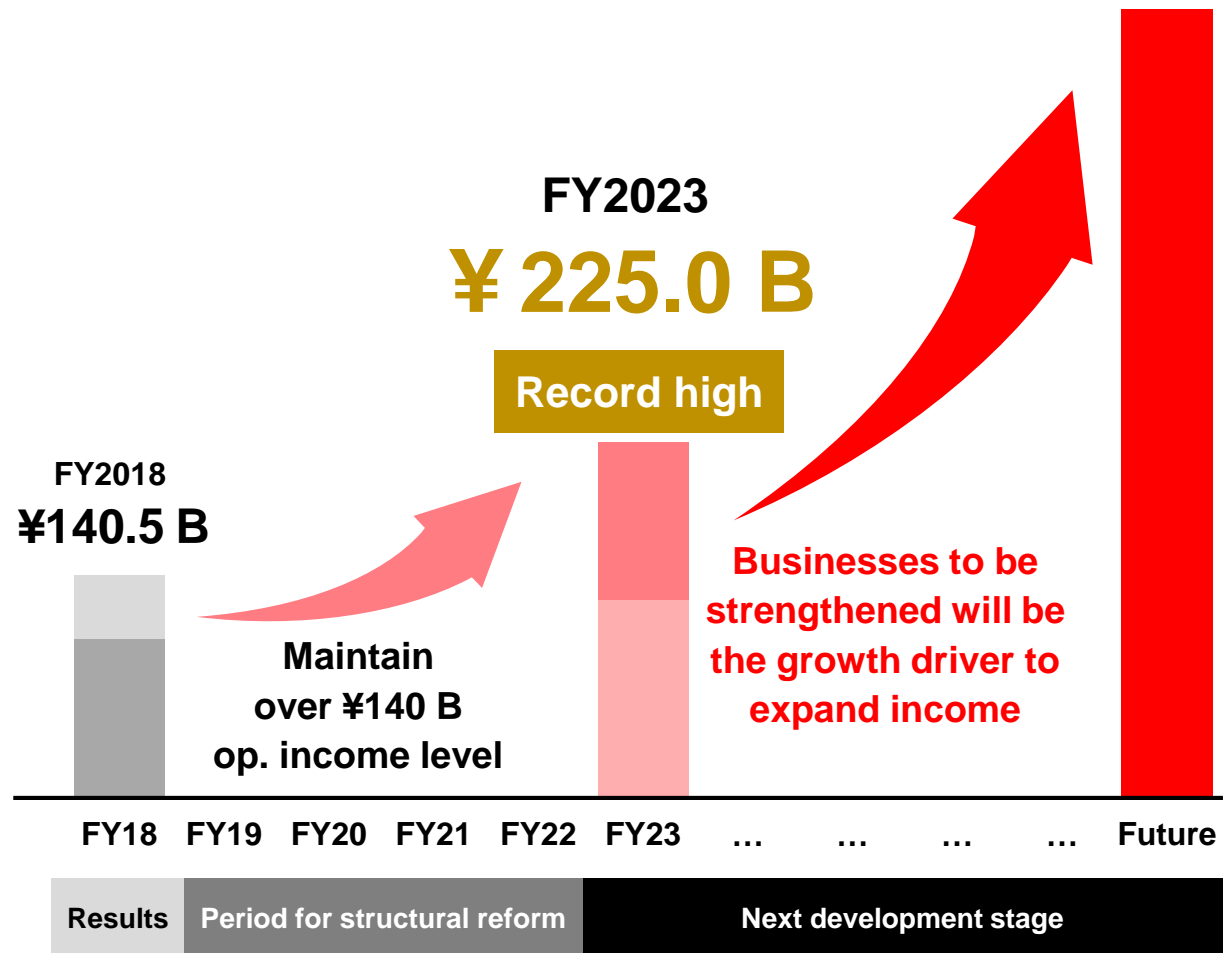
Image of our long-term revenue composition

Will continue to grow while drastically changing our revenue composition to meet the changes in the business environment



Operating income – long-term outlook

- Businesses to be strengthened (Shopping advertising, Integrated marketing solution, Financial & Payment, Membership, Reuse business)
- Advertising income – base (Search advertising, display advertising)



Note: Other business and adjustments are prorated to businesses to be strengthened and advertising income (base), according to their composition ratio.

- FY2022

Invest in measures to expand users and EC transaction value, and start up new businesses, etc. to achieve:

▶ Double-digit revenue growth

FY2023 - Future

Monetize increasingly activated users' economic actions to:

▶ Bring income to an expansionary phase

Z Holdings - Service map

Media

- Y! TOP page
- Weather/Disaster
- News
- Finance
- Knowledge search
- Sportsnavi (Sports news site)
- GYAO! (Video streaming)
- Retty (Restaurant information)
- kurashiru (Recipe video service)

Local Information

- Transit information
- Map
- Car navigation

Search

- Search
- Real-time search
- Beauty
- Vocal assistant
- Job search

For corporations

- YAHOO! JAPAN Marketing Solutions
- Research
- Crowdsourcing

Commerce

- Shopping
- Auction
- PayPay Mall
- PayPay Flea Market
- ZOZO (Fashion online shopping)
- ASKUL (B to B EC)
- LOHACO (B to C EC)

Digital Contents

- Fortune telling
- Game
- ebookjapan (Digital books)

O2O

- Real estate
- Travel booking
- Loco
- Ikyu.com (Hotel)
- Ikyu.com (Restaurant)

Finance/Payment/Fintech

- Credit card
- Online wallet
- PayPay (Smartphone payment)
- TaoTao (Cryptocurrency trading)
- YJFX! (FOREX)
- YJFX (FOREX)
- ジャパンネット銀行 (The Japan Net Bank (Internet banking))
- Blockchain

Data/AI

- DATA SOLUTION

PIM

- e-Mail
- Calendar

CSR

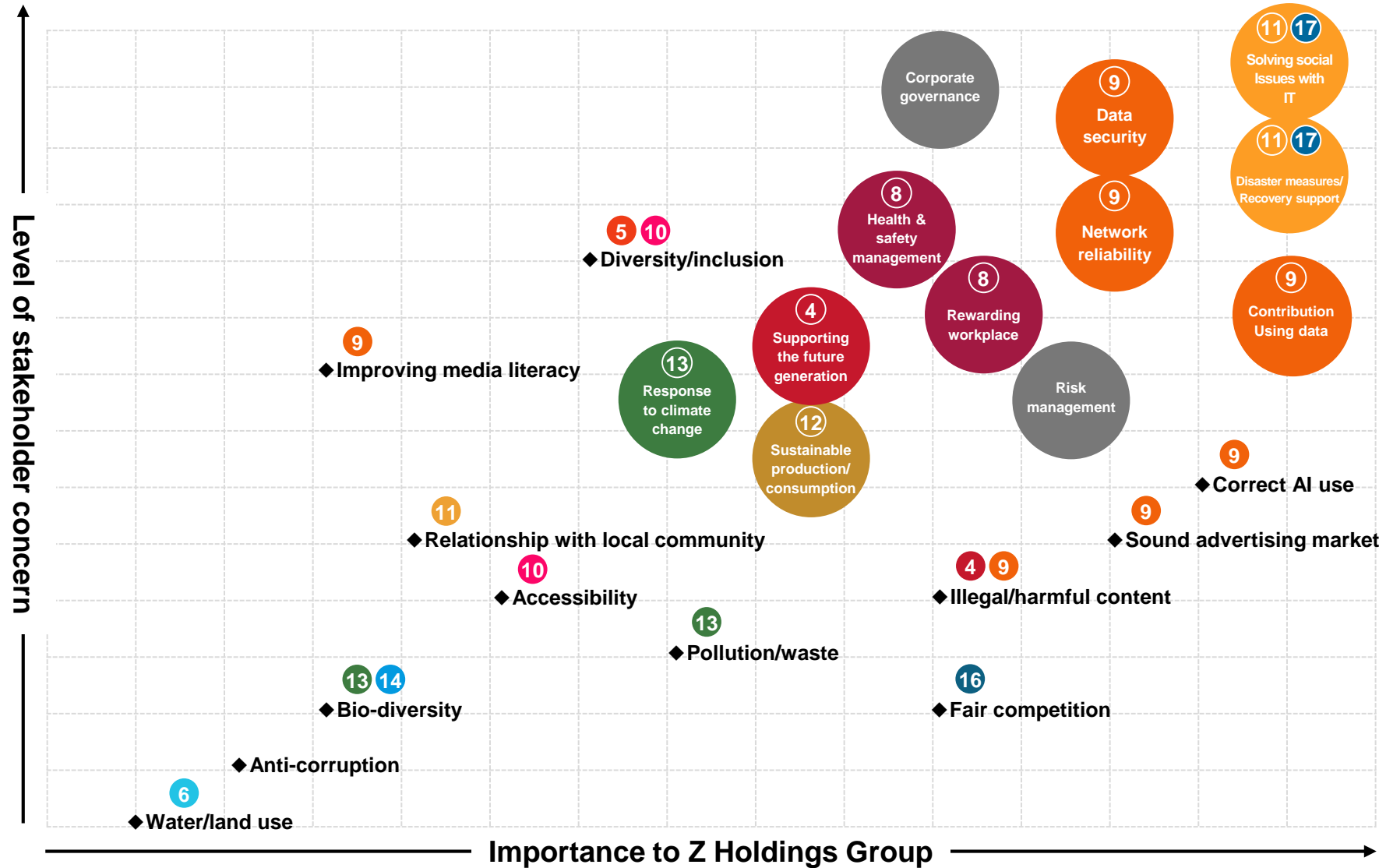
- Kids
- Internet fund raising

Z HOLDINGS Customer Base

No. of users: Approx. 80 mil *

* Annual logged-in user IDs.

Materiality matrix for Z Holdings Group



The numbers and colors in the matrix coincide with the SDG icons.

- 4 Quality Education
- 5 Gender Equality
- 6 Clean Water and Sanitation
- 8 Decent Work and Economic Growth
- 9 Industry, Innovation and Infrastructure
- 10 Reduced Inequalities
- 11 Sustainable Cities and Communities
- 12 Responsible Production and Consumption
- 13 Climate Action
- 14 Life Below Water
- 16 Peace, Justice and Strong Institutions
- 17 Partnerships for the Goals

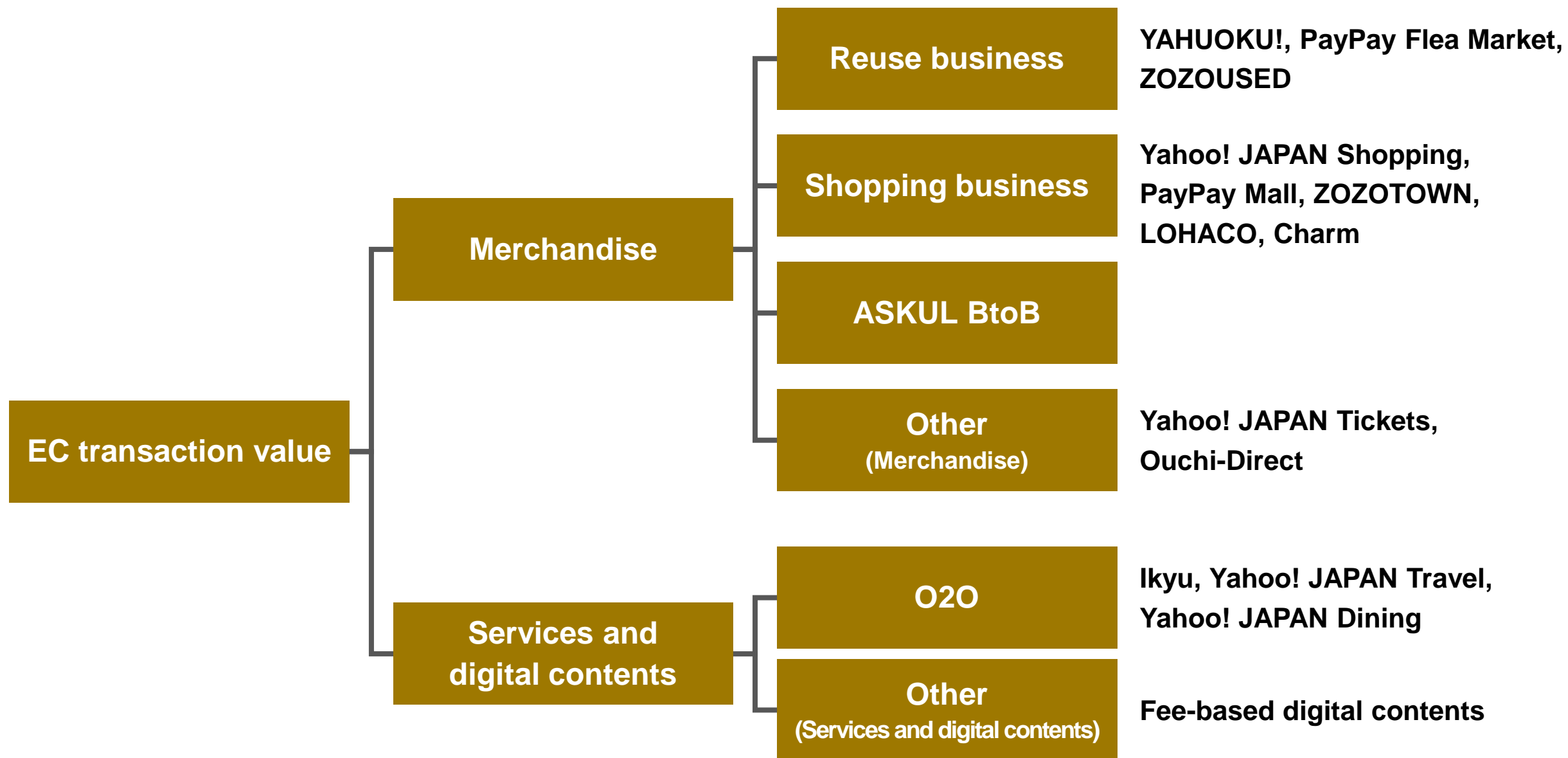
Note: Big circles are especially important to the stakeholders and the Z Holdings Group, and need to be dealt with focus.

Business segment breakdown

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

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

Definition of EC transaction value



Advertising products

Advertising Products		Main Format	Fee Calculation	Placement Pages	Type of Advertiser	
Search advertising	Yahoo! JAPAN Ads “Search advertising”		Text	Search results pages	Major corporations/SMEs	
Display advertising	Programmatic advertising	Yahoo! JAPAN Ads “Display ads” (Programmatic-based)		Text Banner		Top page Interior pages of service sites
			Video	Cost per-view	Partner sites	
		Shopping ads (Programmatic-based)	Text banner	Cost per-conversion	Yahoo! JAPAN Shopping PayPay Mall	Tenants of Yahoo! JAPAN Shopping, PayPay Mall
	Reservation advertising	Yahoo! JAPAN Ads “Display ads” (Reservation-based)	Rich (incl. video) Banner	Cost per-impression (Reservation-based)	Top page, Interior pages of service sites	Major corporations
			Text Banner	Cost per-guaranteed period, etc. (Reservation-based)	Yahoo! JAPAN Shopping	Tenants of Yahoo! JAPAN Shopping, PayPay Mall
		Shopping ads (Reservation-based)	Text banner	Cost per-guaranteed period, etc.	PayPay Mall	PayPay Mall

PayPay Corporation – capital structure

		Shareholding ratio			
		May 2018 (At founding)	May 2019	As of end of March 2020	As of end of June 2020
Common stock	Yahoo Japan	50 %	25 %	25 %	25 %
	SoftBank	50 %	25 %	25 %	25 %
	SoftBank Group	-	50 %	50 %	50 %
	Total	100 %	100 %	100 %	100 %
Preferred stock*	Yahoo Japan	-	-	50 %	50 %
	SoftBank	-	-	50 %	50 %
	SoftBank Group	-	-	-	-
	Total	-	-	100 %	100 %

• April 2022 onwards, may be converted to common stocks (conversion rate=1:1)

• Voting rights ratio after conversion: 36%

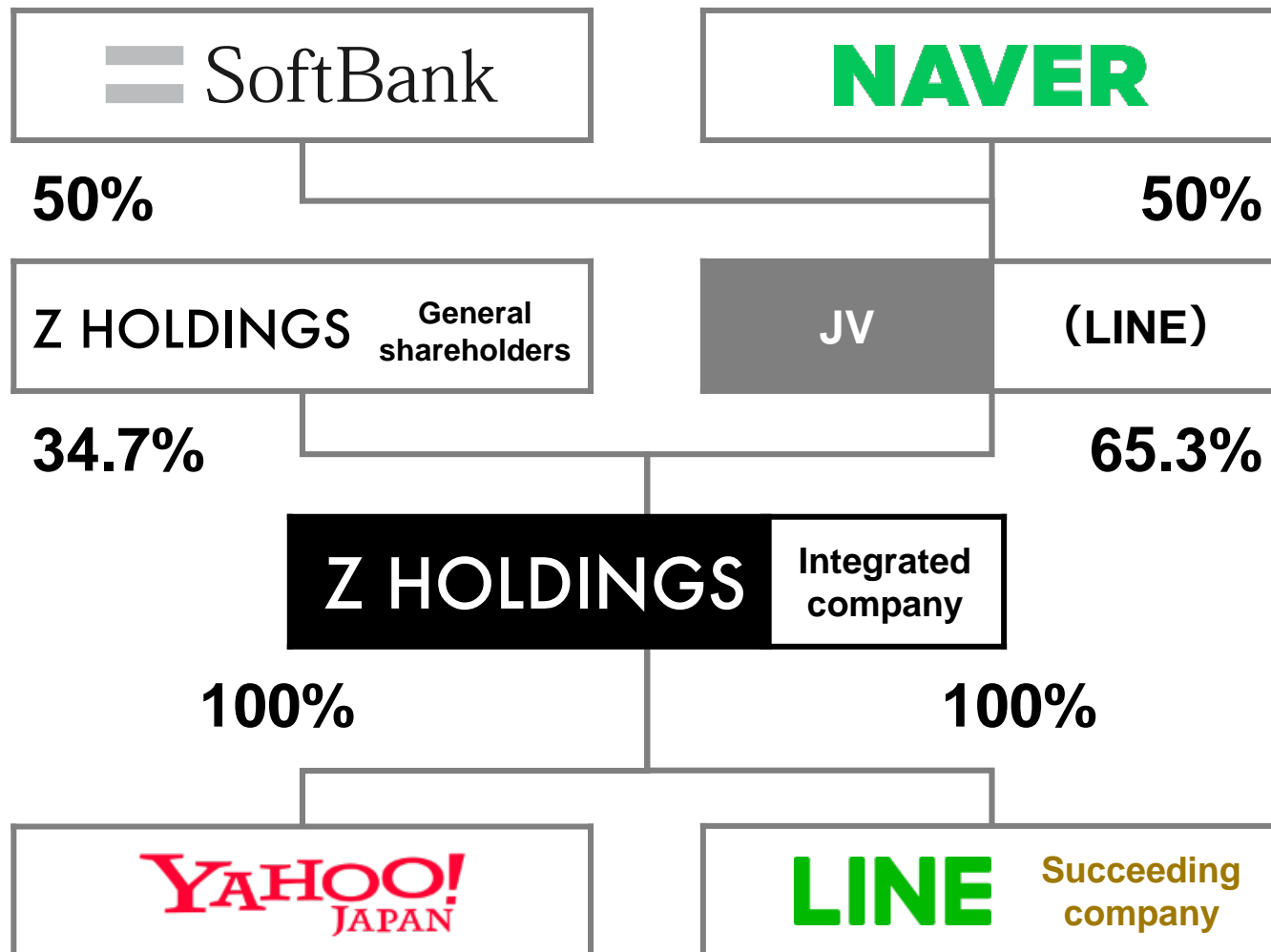


Voting rights ratio
As of end of June 2020

25.0%

Business integration with LINE

Post-integration structure



Exchange Ratio

Z HOLDINGS **LINE**
1 : 11.75

No. of Z Holdings shares
before/after share exchange

4.8 B shares **▶** **7.7 B** shares

- All incremental shares are issued to JV
- No. of treasury shares to be allocated is undecided

Disclaimer

Statements made at the meeting or included in the documents that are not historical facts are forward-looking statements about the future performance of Z Holdings Corporation (Company, Z Holdings) and its consolidated subsidiaries and affiliates.

The Company cautions you that a number of important factors could cause actual results to differ materially from those discussed in the forward-looking statements.

Such factors include, but are not limited to, the items mentioned in “Risk Factors” in “Consolidated Financial Statements and Independent Auditor's Report” (Japanese only). Unauthorized use of the information or the data in this document is not permitted.

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Z HOLDINGS

**Unleashing the infinite potential of all people,
with the power of information technology**