

Results for the Nine Months Ended December 31, 2019 (FY2019-3Q) [IFRSs]

February 5, 2020

Company Name: Z Holdings Corporation Share Listings: 1st section of TSE
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Scheduled Securities Report Submission Date: February 13, 2020

Scheduled Dividend Payment Date: -

Fiscal Results Supplementary Briefing Materials to Be Created: Yes

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

(Amounts less than one million yen are omitted)

1. Consolidated Results for FY2019-3Q (April 1, 2019 - December 31, 2019)

(1) Consolidated Business Performance (April 1, 2019 - December 31, 2019) (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 (%)
FY2019-3Q	759,614 (7.4)	123,542 (3.2)	116,011 (5.2)	79,571 (13.5)	75,056 (7.0)	78,153 (7.0)
FY2018-3Q	707,590 (7.4)	119,679 (-19.0)	110,243 (-29.2)	70,088 (-33.7)	70,172 (-32.0)	73,070 (-31.5)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY2019-3Q	15.43	15.43
FY2018-3Q	12.94	12.94

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent
	Millions of yen	Millions of yen	Millions of yen	%
FY2019-3Q	3,927,177	1,051,947	773,044	19.7
FY2018	2,429,601	910,523	818,291	33.7

2. Dividends

(Record date)	Dividends per share				
	1Q	2Q	3Q	Year end	Full year
	Yen	Yen	Yen	Yen	Yen
FY2018	—	0.00	—	8.86	8.86
FY2019	—	0.00	—		
FY2019 (Estimates)				8.86	8.86

Revision in dividends previously announced: None

3. Consolidated Performance Estimates for FY2019 (April 1, 2019 – March 31, 2020)

(% figures are % change YoY)

	Revenue		Operating income		Net income attributable to owners of the parent		Basic earnings per share	
	Millions of yen	(%)	Millions of yen	(%)	Millions of yen	(%)	Yen	(%)
FY2019	1,040,000	8.9	150,000	6.7	77,000 - 80,000	-2.1 - 1.7	15,83- 16.45	7.4- 11.6

Revision in performance estimates previously announced: Yes

For details, please refer to 3. Outlook for Fiscal 2019 (April 1, 2019 – March 31, 2020) in (1) Qualitative Information regarding the Consolidated Business Performance of 1 Qualitative Information regarding the Consolidated Operating Results on page 4 of the Results for the Nine Months (Attachments).

*** Notes**

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

New consolidated subsidiaries: -, Unconsolidated subsidiaries: -

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

1) Changes due to IFRSs: Yes

2) Changes other than 1): None

3) Changes in accounting estimate: None

Note: For details, please refer to 2. Significant accounting policies in (6) Notes to Interim Condensed Consolidated Financial Statements of 2 Interim Condensed Consolidated Financial Statements and Significant Notes on page 15 of the Results for the Nine Months Ended December 31, 2019 (Attachments).

(3) Number of stocks issued (common stock)

1) Number of stocks issued at year end (including treasury stocks)

2) Number of treasury stocks at year end

3) Average number of stocks

FY2019-3Q	4,822,455,165	FY2018	5,151,629,615
FY2019-3Q	60,042,500	FY2018	67,879,000
FY2019-3Q	4,863,951,590	FY2018-3Q	5,421,225,602

* The Results for the Nine Months are not subject to the quarterly review by certified public accountants or audit corporations.

* Explanation of the proper use of performance estimates, and other special notes

• The performance estimates, etc., and other forward-looking statements contained in this document are based on the information currently available to the Company and premised on assumptions that have been deemed reasonable by management. For a variety of reasons, actual performance estimates, etc., could differ significantly.

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1 Qualitative Information regarding the Consolidated Operating Results

(1) Qualitative Information regarding the Consolidated Business Performance

1. Business Results Summary (April 1, 2019 to December 31, 2019)

	FY2018 3Q	FY2019 3Q	Year-on-Year Change (Amount)	Year-on-Year Change (%)
Revenue	¥707.5 billion	¥759.6 billion	+¥52.0 billion	+7.4%
Operating Income	¥119.6 billion	¥123.5 billion	+¥3.8 billion	+3.2%
Income before income taxes	¥110.2 billion	¥116.0 billion	+¥5.7 billion	+5.2%
Net Income attributable to owners of the parent	¥70.1 billion	¥75.0 billion	+¥4.8 billion	+7.0%

The revenue for the consolidated third quarter of the fiscal year ending March 31, 2020 amounted to ¥759.6 billion, an increase of ¥52.0 billion (+7.4%) compared with the same period last year. This was mainly due to the consolidation of ZOZO, Inc. in November 2019, and the increases in the revenue of ASKUL Group and in advertising revenue.

Operating income increased year on year, chiefly due to the consolidation of ZOZO, Inc.

Despite recognition of loss on equity method investments of ¥15.6 billion, etc., primarily due to active investment in “PayPay”, income before income taxes and net income attributable to owners of the parent increased year on year, mainly because of increase in operating income as well as recognition of gain on change in equity interest of PayPay Corporation of ¥10.8 billion.

2. Segment Business Results Summary (April 1, 2019 – December 31, 2019)

Revenue and Operating Income by Segment

	FY2018 3Q	FY2019 3Q	Year-on-Year Change (Amount)	Year-on-Year Change (%)
Commerce Business				
Revenue	¥482.4 billion	¥532.7 billion	+¥50.2 billion	+10.4%
Operating income	¥46.7 billion	¥63.2 billion	+¥16.4 billion	+35.2%
Media Business				
Revenue	¥223.6 billion	¥225.4 billion	+¥1.7 billion	+0.8%
Operating income	¥108.5 billion	¥111.4 billion	+¥2.9 billion	+2.7%
Others				
Revenue	¥7.7 billion	¥6.2 billion	-¥1.4 billion	-19.3%
Operating income/ loss	¥9.9 billion	-¥0.4 billion	-¥10.3 billion	—
Adjustments				
Revenue	-¥6.2 billion	-¥4.7 billion	—	—
Operating income	-¥45.5 billion	-¥50.7 billion	—	—
Total				
Revenue	¥707.5 billion	¥759.6 billion	+¥52.0 billion	+7.4%
Operating income	¥119.6 billion	¥123.5 billion	+¥3.8 billion	+3.2%

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

Reporting Segment

	Main business areas
Commerce Business	<ul style="list-style-type: none"> • YAHUOKU!, Yahoo! Shopping, ASKUL Corporation, ZOZO, Inc., and other commerce-related services • Yahoo! Premium, and other membership services • Credit card and other financial and payment-related services
Media Business	<ul style="list-style-type: none"> • Paid search, Display and other advertising-related services

Main types of advertising

Advertising products		Main Format	Fee Calculation	Placement Pages	Main Advertiser Base	
Paid Search Advertising	Sponsored Search®		Text	Search results pages	Major corporations Small and medium-sized companies	
Display Advertising	YDN and others	Yahoo! Display Ad Network (YDN) *1	Text Banner	Per-click rate (Performance-based) *2		Top page *1
		Yahoo! Premium DSP	Video	Per-view rate (Performance-based) *2	Interior pages of service sites *1	
			Banner	Per-impression page view rate (Performance-based) *2		Major corporations
	Premium Advertising	Brand Panel, Prime Display, etc.	Rich ad (Including video) Banner	Per-impression page view rate (Guarantee-based) *3	Yahoo! Shopping	
		Banner Text ads Others	Text Banner	Per-guaranteed period rate, etc. (Guarantee-based) *3		
		PR Option *4		Conversion-based		

(*1) Includes In-feed Advertising on timeline view pages

(*2) Advertising that is programmatically or manually managed on a real-time basis to optimize advertising effects

(*3) Advertising for which specific placement is reserved in advance

(*4) Includes listing fees for PayPay Mall of 3%

1) Commerce Business in the Cumulative Consolidated Third Quarter

Revenue of the Commerce Business rose from the same period last year, due to consolidation of ZOZO, Inc. in November 2019 and increases in the revenue of the ASKUL Group, in the advertising revenue from Yahoo! Shopping (*1) and in the revenue of Ikyu Corporation, etc. In addition, EC transaction value (sale of goods) (*2) amounted to ¥1,536.2 billion, increasing 9.9% year on year.

As a result, revenue of the Commerce Business of the cumulative consolidated third quarter amounted to ¥532.7 billion, increasing 10.4% year on year and accounting for 70.1% of total revenue. Operating income increased 35.2% year on year, to ¥63.2 billion.

*1 Total of the Company's Shopping-related advertising revenue; advertising revenue of "StoreMatch", an advertising product in Yahoo! Shopping sold by ValueCommerce Co., Ltd. to stores in Yahoo! Shopping, etc.; and revenues of paid search advertising and YDN, etc., placed by stores in Yahoo! Shopping. Revenues of paid search advertising and YDN, etc., placed by stores in Yahoo! Shopping are recorded in the advertising revenue of the Media Business segment.

*2 Includes transaction value of YAHUOKU! including Yahoo! Government Auctions, shopping transaction value, other sales of goods transaction value and ASKUL's BtoB-related revenue via the Internet (closing date: 20th of every month) from 2Q of FY2015 (one month in 2Q).

2) Media Business in the Cumulative Consolidated Third Quarter

As Premium Advertising revenue increased year on year chiefly due to the effect of sales measures, total advertising revenue grew year on year.

As a result, revenue of the Media Business of the cumulative consolidated third quarter amounted to ¥225.4 billion, rising 0.8% year on year, and accounted for 29.7% of total revenue. Operating income increased 2.7% year on year, to ¥111.4 billion.

3. Outlook for Fiscal 2019 (April 1, 2019 – March 31, 2020)

Year-on-year growth is expected in revenues of Commerce Business and Media Business. Thus, the Group expects a year-on-year increase in its revenue for fiscal 2019.

For the full-year performance estimates, revenue is expected to increase and operating income is expected to achieve the higher end of the previously announced estimates, due to the consolidation of ZOZO, Inc.

Net income attributable to owners of the parent is expected to be near the lower end of the previously announced estimate, because of active investment in "PayPay" (fourth quarter).

	Revenue	Operating income	Net income attributable to owners of the parent	Basic earnings per share
	Millions of yen	Millions of yen	Millions of yen	Yen
Previously announced estimates (A)	1,000,000 - 1,020,000	140,600 - 150,000	79,000 - 85,000	14.80 - 15.92
Revised estimates (B)	1,040,000	150,000	77,000 - 80,000	15.83 - 16.45
Change (Amount) (B - A)	20,000 - 40,000	0 - 9,400	-5,000 - -2,000	0.53 - 1.03
Change (%)	2.0 - 4.0	0.0 - 6.7	-5.9 - -2.5	3.3 - 7.0
(Reference) Previous consolidated results (Fiscal year ending March 31, 2019)	954,714	140,528	78,677	14.74

(2) Qualitative Information regarding the Consolidated Financial Position

1. Assets, Liabilities and Equity

1) Assets

Total assets at the end of this third quarter amounted to ¥3,927,177 million, increasing ¥1,497,576 million, or 61.6% from the end of fiscal 2018. 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 increased from the end of fiscal 2018, principally due to the increase in the transaction value of payment-related businesses and the consolidation of ZOZO, Inc.
- Loans for credit card business increased from the end of fiscal 2018, mainly due to the increase in the transaction value of the Credit Card business.
- Other financial assets increased from the end of fiscal 2018, attributed primarily to increase in deposits in the central clearing house.
- Right-of-use assets were newly recognized due to the adoption of IFRS 16, Leases.
- Goodwill and intangible assets increased from the end of fiscal 2018, chiefly because of the consolidation of ZOZO, Inc.

2) Liabilities

Total liabilities at the end of this third quarter were ¥2,875,229 million, increasing ¥1,356,152 million, or 89.3%, from the end of fiscal 2018. The major components of change were the following:

- Deposits for banking business increased from the end of fiscal 2018 due to the increase of deposits from customers.
- Interest-bearing debt increased from the end of fiscal 2018 chiefly due to the increase in borrowings, issuance of bonds and the adoption of IFRS 16, Leases.
- Deferred tax liabilities increased from the end of fiscal 2018, attributed principally to the consolidation of ZOZO, Inc.

3) Equity

Total equity at the end of this third quarter amounted to ¥1,051,947 million, increasing ¥141,424 million, or 15.5%, from the end of fiscal 2018. The primary reasons for change in equity were as follows:

- Common stock and capital surplus increased from the end of fiscal 2018 because of issuance of new shares.
- Retained earnings decreased from the end of fiscal 2018 because of cancellation of treasury stock and payment of dividends despite the recognition of profit for the period attributable to owners of the parent.
- Non-controlling interests increased from the end of fiscal 2018, chiefly because of the consolidation of ZOZO, Inc.

2. Cash Flows

At the end of this third quarter, cash and cash equivalents amounted to ¥729,974 million, up ¥183,189 million from the end of fiscal 2018, out of which deposit with the Bank of Japan for banking business was ¥266,805 million.

The following are the movements in the main components of cash flow and the factors contributing to the changes for the period under review:

Cash flows from operating activities amounted to a cash inflow of ¥42,750 million mainly because of the recognition of profit before tax despite the payment of income taxes.

Cash flows from investing activities amounted to a cash outflow of ¥457,303 million, chiefly due to the acquisition of stock of subsidiaries.

Cash flows from financing activities amounted to a cash inflow of ¥597,953 million, attributed mainly to short-term borrowings and the issuance of bonds and new shares, despite the expenditures on purchase of treasury stock.

(3) Significant Contracts

The following are the significant contracts for the Yahoo Japan Group.

1) License agreement with Oath Holdings Inc.

Contract name	YAHOO JAPAN LICENSE AGREEMENT
Contract date	April 1, 1996
Contract term	From April 1, 1996; termination date unspecified Note: The license agreement may be terminated under the following conditions: (i) mutual decision by the companies to terminate the agreement; (ii) cancellation of the agreement following bankruptcy or loan default by one of the companies; (iii) purchase of one-third or more of the outstanding shares of Yahoo Japan 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.).
Counterparty	Oath Holdings Inc.
Main details	<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 the Yahoo! search services) • 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 of the Japanese version of the Yahoo! search services <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) Note: Initially, royalties were calculated as 3% of gross profit less sales commissions. Effective January 2005, the calculation method for determining royalties was revised, as follows:</p> <p>Royalty calculation method $\{(Revenue) - (Advertising\ sales\ commissions\ on\ a\ consolidated\ basis) - (Cost\ of\ sales\ of\ consolidated\ subsidiaries\ with\ a\ different\ gross\ margin\ structure\ and\ others)\} \times 3\%$</p>

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

Contract name	GOOGLE SERVICES AGREEMENT
Contract date	October 21, 2014
Contract term end	March 31, 2021
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) Payment for counterparty's services The consideration for the counterparty's services shall be the sum of (1) an amount calculated using a method determined on an annual basis based on the revenue of the website of Yahoo Japan Corporation and (2) an amount calculated using the standard for excess amounts on any revenue of the website of Yahoo Japan Corporation in excess of a specific amount during the specified period. 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>

2 Interim Condensed Consolidated Financial Statements and Significant Notes

(1) Interim Condensed Consolidated Statement of Financial Position

(Millions of yen)

	As of Mar. 31, 2019	As of Dec. 31, 2019	Increase/decrease	
	Amount	Amount	Amount	Change (%)
Assets				
Cash and cash equivalents	546,784	729,974	183,189	33.5
Call loans for banking business	20,000	51,086	31,086	155.4
Trade and other receivables	328,281	499,114	170,833	52.0
Inventories	18,306	23,073	4,767	26.0
Loans for credit card business	253,340	346,764	93,424	36.9
Investment securities for banking business	419,551	419,980	429	0.1
Loans for banking business	80,942	89,387	8,444	10.4
Other financial assets	191,260	237,196	45,936	24.0
Property and equipment	133,867	133,066	-800	-0.6
Right-of-use assets	—	96,886	96,886	—
Goodwill	175,301	400,296	224,994	128.3
Intangible assets	165,293	683,991	518,698	313.8
Investments accounted for using the equity method	24,510	13,057	-11,453	-46.7
Deferred tax assets	34,551	41,823	7,272	21.0
Other assets	37,609	161,477	123,867	329.3
Total assets	2,429,601	3,927,177	1,497,576	61.6

(Millions of yen)

	As of Mar. 31, 2019	As of Dec. 31, 2019	Increase/decrease	
	Amount	Amount	Amount	Change (%)
Liabilities and equity				
Liabilities				
Trade and other payables	394,545	636,469	241,923	61.3
Deposits for banking business	768,613	888,347	119,733	15.6
Interest-bearing liabilities	215,212	1,066,006	850,794	395.3
Other financial liabilities	8,683	11,129	2,445	28.2
Income taxes payable	24,138	18,013	-6,124	-25.4
Provisions	30,360	29,631	-729	-2.4
Deferred tax liabilities	20,403	166,868	146,465	717.9
Other liabilities	57,118	58,764	1,645	2.9
Total liabilities	1,519,077	2,875,229	1,356,152	89.3
Equity				
Equity attributable to owners of the parent				
Common stock	8,939	237,411	228,472	—
Capital surplus	-12,545	213,964	226,510	—
Retained earnings	832,147	326,424	-505,723	-60.8
Treasury stock	-24,440	-17,382	7,058	—
Accumulated other comprehensive income	14,190	12,626	-1,564	-11.0
Total equity attributable to owners of the parent	818,291	773,044	-45,247	-5.5
Non-controlling interests	92,231	278,902	186,671	202.4
Total equity	910,523	1,051,947	141,424	15.5
Total liabilities and equity	2,429,601	3,927,177	1,497,576	61.6

(2) Interim Condensed Consolidated Statement of Profit or Loss

(Millions of yen)

	Nine months ended Dec. 31, 2018	Nine months ended Dec. 31, 2019	Increase/decrease	
	Amount	Amount	Amount	Change (%)
Revenue	707,590	759,614	52,023	7.4
Cost of sales	303,383	311,544	8,161	2.7
Selling, general and administrative expenses	292,505	324,527	32,022	10.9
Gain on sales of subsidiary's stocks	7,977	—	-7,977	—
Operating income	119,679	123,542	3,862	3.2
Other non-operating income	1,277	13,151	11,873	929.7
Other non-operating expenses	903	1,699	795	88.1
Gain on sales of equity method investments	301	-1,794	-2,095	—
Equity in earnings of associates and joint venture	-10,111	-17,188	-7,077	—
Profit before tax	110,243	116,011	5,767	5.2
Income tax expense	40,155	36,439	-3,715	-9.3
Profit for the period	70,088	79,571	9,482	13.5
Attributable to:				
Owners of the parent	70,172	75,056	4,884	7.0
Non-controlling interests	-83	4,514	4,598	—
Profit for the period	70,088	79,571	9,482	13.5
Earnings per share attributable to owners of the parent				
Basic (yen)	12.94	15.43	2.49	19.2
Diluted (yen)	12.94	15.43	2.49	19.2

(3) Interim Condensed Consolidated Statement of Comprehensive Income

(Millions of yen)

	Nine months ended Dec. 31, 2018	Nine months ended Dec. 31, 2019
Profit for the period	70,088	79,571
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Equity financial assets measured at FVTOCI	1,708	-652
Subtotal	1,708	-652
Items that may be reclassified subsequently to profit or loss		
Debt financial assets measured at FVTOCI	373	-418
Exchange differences on translating foreign operations	913	-347
Share of other comprehensive income of associates	-13	0
Subtotal		
Other comprehensive income, net of tax	1,273	-765
Total comprehensive income	2,981	-1,418
	73,070	78,153
Total comprehensive income attributable to:		
Owners of the parent	72,955	73,881
Non-controlling interests	115	4,272
Total comprehensive income	73,070	78,153

(4) Interim Condensed Consolidated Statement of Changes in Equity

Nine months ended December 31, 2018

(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, 2018	8,737	-4,602	993,894	-1,316	16,655	1,013,368	108,518	1,121,887
Accumulated impact by the application of new accounting standards (*)			-205		167	-38	-20	-59
Balance at April 1, 2018 (corrected)	8,737	-4,602	993,688	-1,316	16,822	1,013,330	108,497	1,121,827
Profit for the period			70,172			70,172	-83	70,088
Other comprehensive income, net of tax					2,783	2,783	198	2,981
Total comprehensive income for the period	—	—	70,172	—	2,783	72,955	115	73,070
Transactions with owners and other transactions								
Issue of common stock	201	201				402		402
Payment of dividends			-50,449			-50,449	-1,530	-51,980
Transfer from accumulated other comprehensive income to retained earnings			3,766		-3,766	—		—
Purchase of treasury stock				-220,704		-220,704		-220,704
Cancellation of treasury stock			-197,579	197,579		—		—
Changes attributable to obtaining or losing control of subsidiaries						—	1,693	1,693
Changes in ownership interests in subsidiaries without losing control		-7,694				-7,694	-16,246	-23,940
Others		-8				-8	12	4
Total	201	-7,501	-244,261	-23,124	-3,766	-278,453	-16,070	-294,524
Balance at December 31, 2018	8,938	-12,104	819,599	-24,440	15,838	807,831	92,542	900,373

(*) Accompanying adoption of IFRS 9, Financial Instruments, accumulated impact of retroactive correction is recognized by correcting the beginning balance of retained earnings and accumulated other comprehensive income.

	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, 2019	8,939	-12,545	832,147	-24,440	14,190	818,291	92,231	910,523
Accumulated impact by the application of new accounting standards (*)			-2,466			-2,466	-2,997	-5,463
Balance at April 1, 2019 (corrected)	8,939	-12,545	829,681	-24,440	14,190	815,825	89,234	905,060
Profit for the period			75,056			75,056	4,514	79,571
Other comprehensive income, net of tax					-1,175	-1,175	-242	-1,418
Total comprehensive income for the period	—	—	75,056	—	-1,175	73,881	4,272	78,153
Transactions with owners and other transactions								
Issue of common stock	228,472	227,078				455,551		455,551
Payment of dividends			-45,042			-45,042	-1,583	-46,625
Transfer from accumulated other comprehensive income to retained earnings			389		-389	—		—
Purchase of treasury stock				-526,625		-526,625		-526,625
Cancellation of treasury stock			-533,684	533,684		—		—
Changes attributable to obtaining or losing control of subsidiaries						—	186,457	186,457
Changes in ownership interests in subsidiaries without losing control		-403				-403	582	178
Others		-164	23			-141	-60	-202
Total	228,472	226,510	-578,313	7,058	-389	-116,662	185,396	68,734
Balance at December 31, 2019	237,411	213,964	326,424	-17,382	12,626	773,044	278,902	1,051,947

(*) Accompanying adoption of IFRS 16, Leases, accumulated impact of retroactive correction is recognized by correcting the beginning balance of retained earnings.

(5) Interim Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Nine months ended Dec. 31, 2018	Nine months ended Dec. 31, 2019
	Amount	Amount
Cash flows from operating activities:		
Profit before tax	110,243	116,011
Depreciation and amortization	38,816	58,499
Equity in earnings of associates and joint venture	10,111	17,188
Increase (decrease) in call loans for banking business	28,000	-31,086
Increase in trade and other receivables	-83,363	-141,046
Increase in trade and other payables	95,821	122,765
Increase in loans for credit card business	-59,226	-93,424
Increase in loans for banking business	-3,165	-8,444
Increase in deposits for banking business	62,089	119,733
Others	-58,601	-62,488
Subtotal	140,726	97,707
Income taxes—paid	-57,710	-54,957
Net cash generated by operating activities	83,016	42,750
Cash flows from investing activities:		
Purchase of investment securities for banking business	-207,994	-199,553
Proceeds from sales/redemption of investment securities for banking business	152,199	198,100
Expenditures on acquisition of control over subsidiaries	-6,709	-378,163
Others	-79,695	-77,686
Net cash used in investing activities	-142,199	-457,303
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	-905	504,190
Proceeds from issuance of shares	393	454,475
Purchase of treasury stock	-221,014	-526,695
Proceeds from issuance of bonds	25,000	229,217
Dividends paid	-50,460	-45,032
Repayment of lease liabilities	—	-16,754
Others	-17,818	-1,447
Net cash generated by (used in) financing activities	-264,804	597,953
Effects of exchange rate changes on cash and cash equivalents	502	-210
Effects on cash and cash equivalents arising from transfer to assets classified as held for sale	3,484	—
Net increase (decrease) in cash and cash equivalents	-320,000	183,189
Cash and cash equivalents at the beginning of the periods	868,325	546,784
Cash and cash equivalents at the end of the periods	548,324	729,974

(6) Notes to Interim Condensed Consolidated Financial Statements

1. Going Concern Assumption Not applicable.

2. Significant Accounting Policies

The significant accounting policies applied by the Yahoo Japan Group in preparing the statements are the same as those applied to Consolidated Financial Statements for the previous fiscal year, except for the following:

(Changes in the significant accounting policies)

From the consolidated first quarter of fiscal 2019, the Yahoo Japan Group applies the following standards and interpretations:

Standard books	Standard names	Summary of new/amended provisions
IFRS 16	Leases	Accounting treatment regarding leases and disclosure requirement

1) Adoption of IFRS 16, Leases

The Yahoo Japan Group observes the transitional measures for IFRS 16, Leases (hereinafter referred to as IFRS 16) and has made retroactive correction by means of applying them on the adoption start date (April 1, 2019) and recognizing accumulated impact of such application by correcting the beginning balance of retained earnings on the adoption start date. For this reason, the Interim Condensed Consolidated Financial Statements for the previous cumulative consolidated third quarter and the Interim Condensed Consolidated Statement of Financial Position at the end of the previous consolidated fiscal year as comparative information are not restated.

IFRS 16 requires a lessee's lease not to be classified as either a finance lease or an operating lease, but requires a single lessee accounting model to be introduced. In general, it also requires a lessee to recognize, for all leases, a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. In addition, while a lease payment related to an operating lease is recognized as a rental expense in IAS 17, Leases (hereinafter referred to as IAS 17), it is recognized as depreciation of the right-of-use asset and interest on the lease liability in IFRS 16.

The Yahoo Japan Group has adopted a practical expedient in which it is not required to review whether an agreement is or includes a lease in adopting IFRS 16. Because of this, IFRS 16 is applied to agreements that have been identified as leases up to now, and is not applied to agreements that have not been identified as leases by means of applying IAS 17 and IFRIC 4, Determining Whether an Arrangement Contains a Lease. Consequently, identification of a lease based on IFRS 16 is only applied to any agreement entered into or revised on or after the adoption start date.

In addition to the above, the Group has adopted the following practical expedients among those in the transitional measures. Application of these practical expedients is determined for each lease:

- Allowing a lessee to rely on an appraisal to determine whether an agreement is onerous according to IAS 37, Provisions, Contingent Liabilities and Contingent Assets on the adoption start date, instead of performing an impairment review of the right-of-use asset
- Allowing a lessee to exclude initial direct costs from measurement of right-of-use assets as of the adoption start date
- Where an agreement includes an option to extend or terminate a lease, allowing a lessee to use after-the-fact determination when the lessee assesses a lease term

As a result of the transition to IFRS 16, as of the adoption start date, mainly right-of-use assets and lease liabilities included in interest-bearing debt, increased by ¥85,654 million and ¥89,588 million, respectively, and accrued expenses included in other liabilities decreased by ¥3,205 million. In addition, while the Group recognized right-of-use assets on the adoption start date with regard to part of the lease agreements, it booked impairment loss because recoverable amount fell below the carrying amount of the cash-generating unit including right-of-use assets and thus accumulated impairment loss and deferred tax asset increased by ¥7,735 million and ¥2,368 million, respectively.

As a result, retained earnings and non-controlling interests decreased by ¥2,466 million and ¥2,997 million, respectively.

Right-of-use assets are measured in one of the following methods:

- Measured amount of lease liabilities adjusted using prepaid and accrued lease payments

- Carrying amount calculated as if IFRS 16 had been adopted since the start of lease

Lease liabilities are measured as the present value for which lease payments unpaid as of the adoption start date are discounted using the lessee's incremental borrowing rate for the Group on that date. The weighted average of the lessee's incremental borrowing rate applied to the lease liabilities is 0.1%. The following table shows adjustments between the amount discounted using the lessee's incremental borrowing rate on the adoption start date with regard to the discount on future minimum lease payments under operating leases that we disclosed by adopting IAS 17 at the end of the previous fiscal year and the amount of lease liabilities recognized on the Consolidated Statement of Financial Position on the adoption start date.

	(Millions of yen)
Undiscounted future minimum lease payments under operating leases as of March 31, 2019	105,694
Discount on future minimum lease payments under operating leases described above	-3,056
Discounted future minimum lease payments under operating leases on April 1, 2019	102,637
Leases classified as finance leases	14,595
Adjustments due to the reassessment of lease terms	5,580
Adjustments related to agreements before start of leases	-27,875
Adjustments due to other factors	-5,350
Lease liabilities on April 1, 2019	89,588

2) Significant accounting policies that have changed by adopting new standards and interpretations

The Group determines at the start of an agreement whether it is a lease agreement or if it includes any lease. On the start date or revaluation date of an agreement that includes any lease, the consideration of an agreement is allocated to each lease component based on the proportion to the total uncontrolled price of lease components and non-lease components. In addition, the lease term is the combination of a non-cancellable period of the lease, the period subject to an extension option that is reasonably certain to be exercised and the period subject to a termination option that is reasonably certain not to be exercised.

(Lessee side)

a. Lease transactions for intangible assets

The Group has not adopted IFRS 16 for lease transactions for intangible assets.

b. Right-of-use assets

The Group recognizes right-of-use assets on the lease commencement date. The right-of-use assets are measured on a historical cost basis on the commencement date. The historical costs comprise the sum of initially measured amount of lease liabilities, lease payments made at or before the lease commencement date less lease incentives received, initial direct costs incurred by the lessee, and estimates of costs to be incurred by the lessee in dismantling and removing the underlying assets, restoring the site on which the underlying assets are located or restoring the underlying assets to the condition required by the terms and conditions of the agreement.

The Group adopts a cost model after the commencement date and the right-of-use assets are measured by deducting accumulated depreciation and accumulated impairment loss from the historical costs. The Group depreciates the right-of-use assets from the commencement date to the earlier of the end of the useful life of the underlying assets or the end of the lease term, unless it is reasonably certain that the ownership of the underlying assets will be transferred to the Group at the end of the lease term. The useful life of the right-of-use assets is determined in the same manner as property and equipment.

c. Lease liabilities

The Group recognizes lease liabilities on the lease commencement date. The lease liabilities are measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate. The lease payments included in the measurement of the lease liabilities comprise mainly fixed lease payments, the lease payment for the extension period if the Group is reasonably certain to exercise its extension option, and payments of penalties for terminating the lease unless it is reasonably certain that there will be no early termination.

After the commencement date, the Group measures the lease liabilities by increasing or decreasing the carrying amount to reflect interest on the lease liabilities and the lease payments made. The Group remeasures the lease liabilities and corrects the right-of-use assets to reflect any reassessment of the lease liabilities or lease modifications.

3. Business Combination

Previous cumulative consolidated third quarter (April 1, 2018 – December 31, 2018)

There is no significant business combination which took place in the previous cumulative consolidated third quarter.

This cumulative consolidated third quarter (April 1, 2019 – December 31, 2019)

Major business combination that took place in this cumulative consolidated third quarter is as follows:

1) Outline of business combination

With the aim of strengthening its clothing/fashion e-commerce category in order to further expand its e-commerce business, the Company implemented a tender offer for the common shares of ZOZO, Inc., as resolved at its board of directors meeting held on September 12, 2019. This tender offer was completed on November 13, 2019, and the Company acquired ZOZO, Inc.'s 152,952,900 common shares in cash for JPY 400,736 million. As a result, the Company holds 50.1% of voting rights ratio in ZOZO, Inc., and ZOZO, Inc. became a consolidated subsidiary of the Company. In addition, in order to procure part of the fund necessary to acquire the target shares for this business combination, the Company made a borrowing of JPY 400,000 million.

2) Outline of acquired company

Name	ZOZO, Inc.
Business description	Planning/operation of fashion online shopping website "ZOZOTOWN" Planning/development of private brand "ZOZO" Customer support, operation of logistics center "ZOZOBASE"

3) Date of acquisition

November 13, 2019

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

(Millions of yen)

Fair value of acquisition cost	
Cash	400,736
Fair value of assets acquired and liabilities assumed	
Assets	607,479
Cash and cash equivalents	22,875
Trade and other receivables	30,442
Property and equipment	8,609
Intangible assets *2	503,017
Other assets	42,533
Liabilities	-233,902
Trade and other payables	-28,362
Interest-bearing liabilities	-42,589
Other liabilities	-162,951
Net assets	373,576
Non-controlling interests *3	-185,750
Goodwill *4	212,910
Total	400,736

Notes: 1. Provisional figures since the purchase price allocation based on the fair value of identifiable assets and liabilities has not been completed.

2. Intangible assets

Includes identifiable assets of JPY 502,199 million. The following table shows the breakdown. For clarification purposes, the estimated useful life of customer base is 18 – 25 years; trademark is classified as indefinite-lived intangibles.

	(Millions of yen)
Customer base	322,070
Trademark	178,720
Others	1,409
Total	502,199

3. Non-controlling interests

Non-controlling interests are measured based on appropriate share of fair value of acquiree's identifiable net assets.

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.

5) Profit and loss information after the acquisition date of the business combination

Profit and loss information after the acquisition date of the business combination is not disclosed because this does not have a material impact on the interim condensed consolidated financial statements.

4. Significant Subsequent Events

(Share exchange agreement)

The Company resolved, at its board of directors meeting held on January 31, 2020, to perform a share exchange in which the Company becomes the wholly owning parent company of LINE Split Preparation Company, and LINE Split Preparation Company, a wholly owned subsidiary of LINE Corporation, becomes the wholly owned subsidiary of the Company. Both companies have signed a share exchange agreement to that effect, dated January 31, 2020.

The share exchange constitutes part of the series of transactions related to the business integration with LINE Corporation announced in "Announcement Regarding Definitive Agreement on Business Integration" as of December 23, 2019 and will be performed on the condition that the prerequisites stipulated in the Definitive Integration Agreement in the announcement are fulfilled.

The table below shows the schedule for this share exchange:

Date of resolution of board of directors on conclusion of this share exchange agreement	January 31, 2020
Date of conclusion of this share exchange agreement	January 31, 2020
Date of shareholders' meeting for approval of the share exchange agreement on this share exchange	March 2020 (planned)
Effective date of this share exchange agreement	October 1, 2020 (planned)

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.

The English notations of the account items have been revised to coincide with the notations used for the Annual Report commencing with this fiscal year. Japanese notations remain the same.