

## Results for the Three Months Ended June 30, 2022 (FY2022-1Q) [IFRSs]

August 3, 2022

Company Name: Z Holdings Corporation Share Listings: Prime Market of TSE  
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Scheduled Securities Report Submission Date: August 12, 2022

Scheduled Dividend Payment Date: -

Fiscal Results Supplementary Briefing Materials to Be Created: Yes

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

### 1. Consolidated Results for FY2022-1Q (April 1, 2022 - June 30, 2022) (Amounts less than one million yen are omitted)

(1) Consolidated Business Performance (April 1, 2022 - June 30, 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 (%)
Three-month period ended June 30, 2022	390,565 (4.6)	49,721 (-3.2)	45,221 (-12.7)	29,868 (-3.4)	25,232 (-5.2)	49,822 (25.1)
Three-month period ended June 30, 2021	373,352 (36.3)	51,385 (1.5)	51,783 (15.3)	30,921 (12.3)	26,617 (17.0)	39,827 (37.4)

	Adjusted EBITDA		Adjusted EPS		Basic earnings per share	Diluted earnings per share
	Millions of yen (%)		Yen (%)		Yen	Yen
Three-month period ended June 30, 2022	86,520	0.2	3.57	0.2	3.37	3.36
Three-month period ended June 30, 2021	86,355	11.2	3.56	-30.3	3.50	3.49

### (2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent
	Millions of yen	Millions of yen	Millions of yen	%
As of June 30, 2022	7,247,081	2,987,844	2,689,975	37.1
As of March 31, 2022	7,110,386	2,982,197	2,684,377	37.8

### 2. Dividends

(Record date)	Dividends per share				
	1Q	2Q	3Q	Year end	Full year
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	—	0.00	—	5.81	5.81
Fiscal year ending March 31, 2023	—				
Fiscal year ending March 31, 2023 (Estimates)		0.00	—	5.56	5.56

(Note) Revision in dividends previously announced: None

### 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) Revision in performance estimates previously announced: None

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 Qualitative Information Regarding the Consolidated Operating Results on page 5 of the Results for the Three Months (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 June 30, 2022 7,596,170,561 shares

As of March 31, 2022 7,596,161,561 shares

2) Number of shares of treasury stocks

As of June 30, 2022 103,047,100 shares

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

3) Average number of common stocks outstanding (quarterly cumulative)

As of June 30, 2022 7,493,130,221 shares

As of June 30, 2021 7,595,090,782 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 common stocks outstanding (quarterly cumulative)

(\*1) EBITDA adjustment items: Gains/losses on non-recurring and non-cash transactions within operating revenue and expenses (loss on retirement of fixed assets, impairment losses, stock compensation expenses, losses/gains on step acquisition, other transactions with undetermined cash outflows (one-time provisions, etc.), etc.)

(\*2) Adjusted net income: Net income attributable to owners of the parent ± EBITDA adjustment items ± tax equivalent on some adjustment items

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

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

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

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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, 2022 to June 30, 2022)

- Highlights
  - Revenue of 390.5 billion yen (up 4.6% year on year); Adjusted EBITDA of 86.5 billion yen (up 0.2% year on year); recording an increase in both revenue and income
  - Both were record highs for the first quarter

	Three months ended June 30, 2021 (yen)	Three months ended June 30, 2022 (yen)	Year-on-Year Change (yen)	Year-on-Year Change (%)
Revenue	373.3 billion	390.5 billion	+17.2 billion	+4.6%
Adjusted EBITDA	86.3 billion	86.5 billion	+0.1 billion	+0.2%

The revenue for the cumulative consolidated first quarter of the fiscal year ending March 31, 2023 amounted to 390.5 billion yen (up 4.6% year on year), resulting in the highest first quarter revenue. This was due to an increase in LINE Corporation's total advertising revenue, in addition to an increase in the revenue in the Commerce Business.

Adjusted EBITDA increased 0.2% year on year, to 86.5 billion yen, resulting in the highest first quarter result, due to the abovementioned revenue growth and elimination of the royalties payment accompanying the termination of the YAHOO! JAPAN LICENSE AGREEMENT, and other factors, despite an increase in expenses in the LINE Group, etc.

### 2. Segment Business Results Summary (April 1, 2022 – June 30, 2022)

#### Revenue and Adjusted EBITDA by Segment

	Three months ended June 30, 2021 (yen)	Three months ended June 30, 2022 (yen)	Year-on-Year Change (yen)	Year-on-Year Change (%)
<b>Media Business</b>				
Revenue	148.7 billion	153.7 billion	+4.9 billion	+3.3%
Adjusted EBITDA	61.3 billion	65.2 billion	+3.9 billion	+6.4%
<b>Commerce Business</b>				
Revenue	195.9 billion	205.6 billion	+9.6 billion	+4.9%
Adjusted EBITDA	35.5 billion	37.3 billion	+1.8 billion	+5.3%
<b>Strategic Business</b>				
Revenue	27.5 billion	30.3 billion	+2.7 billion	+9.8%
Adjusted EBITDA/loss	-5.0 billion	-7.1 billion	-2.1 billion	—
<b>Others</b>				
Revenue	4.8 billion	5.5 billion	+0.6 billion	+13.6%
Adjusted EBITDA	0.3 billion	0.7 billion	+0.4 billion	+126.0%
<b>Adjustments</b>				
Revenue	-3.8 billion	-4.6 billion	—	—
Adjusted EBITDA/loss	-5.7 billion	-9.7 billion	—	—
<b>Total</b>				
Revenue	373.3 billion	390.5 billion	+17.2 billion	+4.6%
Adjusted EBITDA	86.3 billion	86.5 billion	+0.1 billion	+0.2%

Note:

1 From the first quarter of the fiscal year ending March 31, 2023, Yahoo Japan Corporation's financial service which had formerly been recorded in Strategic Business has been transferred to Media Business. LINE Corporation's services that had been recorded in Adjustments have been transferred to each business segment. Accordingly, past data and comparisons have been retroactively adjusted to conform to the current segments.

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

### **1) Media Business in the Cumulative Consolidated First Quarter**

Revenue of the Media Business of the cumulative consolidated first quarter amounted to 153.7 billion yen, increasing 3.3% year on year. Adjusted EBITDA increased 6.4% year on year, to 65.2 billion yen. The revenue of the Media Business accounted for 39.4% of total revenue.

Revenue of LINE Corporation's Account ads increased more than 20% year on year due to acquisition of new customers of LINE Official Account and increase in the number of distributions by major clients. Revenue of Display ads also increased year on year, despite the impact of economic conditions in some industries, resulting in a significant year-on-year increase in total advertising revenue.

Yahoo Japan Corporation's total advertising revenue increased year on year, due to the capturing of demand recovery especially in the travel industry following the resumption of economic activity, etc., in Search advertising.

### **2) Commerce Business in the Cumulative Consolidated First Quarter**

Revenue of the Commerce Business largely grew year on year, due to revenue increases in the ASKUL Group and ZOZO Group and recovery in the travel businesses following the resumption of economic activity.

In addition, e-commerce transaction value (\*1) amounted to 989.5 billion yen, increasing 15.1% year on year due to the aforementioned recovery in the travel businesses, high growth in overseas EC and others. Out of the e-commerce transaction value, domestic merchandise transaction value amounted to 731.6 billion yen, increasing 5.9% year on year.

As a result, revenue of the Commerce Business of the cumulative consolidated first quarter amounted to 205.6 billion yen, increasing 4.9% year on year. Adjusted EBITDA increased 5.3% year on year, to 37.3 billion yen. The revenue of the Commerce Business accounted for 52.6% of total revenue.

(\*1) 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/products of each segment" on page 4.

### **3) Strategic Business in the Cumulative Consolidated First Quarter**

Revenue of the Strategic Business grew year on year, due to growth in the fintech domain.

Furthermore, PayPay GMV amounted to 1.6776 trillion yen (up 37.9% year on year), showing steady performance due to an increase in the number of PayPay payments resulting from increases in the number of users and frequency of use. Credit card transaction volume of PayPay Card Corporation steadily increased to 841.6 billion yen (up 22.6% year on year) and number of PayPay Bank accounts, to 6.22 million (up 13.7% year on year).

As a result, revenue of the Strategic Business of the cumulative consolidated first quarter amounted to 30.3 billion yen, increasing 9.8% year on year. The revenue of the Strategic Business accounted for 7.8% of total revenue.

Major services/products of each segment

Media Business	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.
	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.
	Others	LINE		LINE Stickers, LINE GAME, LINE Fortune, LINE LIVE, LINE MUSIC, LINE Manga, etc.
Yahoo Japan		Real estate-related services, Yahoo! JAPAN Loco, etc.		
Commerce Business	Merchandise EC	Shopping business		Yahoo! JAPAN Shopping, PayPay Mall, ZOZOTOWN, LOHACO, Charm, LINE SHOPPING, LINE FRIENDS, LINE GIFT, MySmartStore, Yahoo! JAPAN Mart by ASKUL, LINEBUY, overseas EC (*2)
		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 (Taiwan), etc.	
	Others		Premium membership, ASKUL non-online BtoB business, ValueCommerce, etc.	
Strategic Business	Fintech	PayPay Card		—
		PayPay Bank		—
		Other fintech		PayPay Asset Management, PayPay Insurance, Magne-Max, LINE Pay, LINE Securities, LINE Score, LINE Pocket Money, LINE BITMAX, LINE NFT, etc.
	Others		AI, LINE Search, LINE Healthcare, etc.	

(\*2) Major services/products of overseas EC: LINE SHOPPING (Taiwan, Thailand), GIFTSHOP, EZ STORE, QUICK EC, MyShop, LINE MAN, etc.

### 3. Outlook for Fiscal 2022 (April 1, 2022 – March 31, 2023)

As announced in the “Notice Concerning Conversion of PayPay Corporation into a Consolidated Subsidiary (Third-Generation Subsidiary) through Share Delivery” on July 27, 2022, PayPay Corporation is scheduled to be converted into a consolidated subsidiary (third-generation subsidiary) of the Company effective October 1, 2022.

The conversion of PayPay Corporation into a consolidated subsidiary was not factored in at the beginning of the fiscal year. However, there is no change to the financial outlook for the fiscal year ending March 31, 2023. The impact on the consolidated results is currently being closely examined and in the event that a new disclosure related to this matter is required, the Company will make a prompt announcement.

## (2) Qualitative Information Regarding the Consolidated Financial Position

### 1. Assets, Liabilities, and Equity

#### 1) Assets

Total assets at the end of this consolidated first quarter amounted to 7,247,081 million yen, increasing 136,695 million yen, or 1.9%, from the end of fiscal 2021. 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.
- Loans in banking business increased compared with the end of fiscal 2021 mainly due to the increase in housing loans.

#### 2) Liabilities

Total liabilities at the end of this consolidated first quarter were 4,259,236 million yen, increasing 131,047 million yen, or 3.2%, from the end of fiscal 2021. The major component of change was the following:

- Interest-bearing liabilities increased from the end of fiscal 2021 chiefly due to the increase in borrowings and increase from the issuance of commercial papers.

#### 3) Equity

Total equity at the end of this consolidated first quarter amounted to 2,987,844 million yen, increasing 5,647 million yen, or 0.2%, from the end of fiscal 2021. The primary reasons for change in equity were as follows:

- Retained earnings decreased from the end of fiscal 2021 due to the payment of dividends despite increase as a result of the recognition of profit for the period attributable to owners of the parent.
- Accumulated other comprehensive income increased from the end of fiscal 2021 mainly due to an increase in exchange differences on translating foreign operations resulting from the weaker yen.

### 2. Cash Flows

At the end of this consolidated first quarter, cash and cash equivalents amounted to 1,179,265 million yen, up 51,741 million yen from the end of fiscal 2021, out of which deposit with the Bank of Japan for banking business was 332,976 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 22,027 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 and payment of income taxes.

Cash flows from investing activities amounted to a cash outflow of 25,295 million yen, chiefly due to the acquisitions of investment securities in banking business, shares, property and equipment, and intangible assets, despite proceeds from sales/redemption of investment securities in banking business.

Cash flows from financing activities amounted to a cash inflow of 47,782 million yen, attributed mainly to net increase in short-term borrowings and proceeds from long-term borrowings, despite the payment of dividends.



### (3) Significant Contracts

There were no significant contracts, etc., that were concluded or revised in the consolidated first quarter of the fiscal year ending March 31, 2023.

### (4) Risk Factors

During this cumulative consolidated first quarter, 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, there were no occurrences of 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, and there are no significant changes to the "Risk Factors" stated (in Japanese only) in the annual securities report for the previous fiscal year.

## 2 Interim Condensed Consolidated Financial Statements and Significant Notes

(1) Interim Condensed Consolidated Statement of Financial Position

(Millions of yen)

	As of Mar. 31, 2022	As of June 30, 2022	Increase/decrease	
	Amount	Amount	Amount	Change (%)
<b>Assets</b>				
Cash and cash equivalents	1,127,523	1,179,265	51,741	4.6
Call loans in banking business	80,000	90,000	10,000	12.5
Trade and other receivables	368,618	324,519	-44,099	-12.0
Inventories	26,671	26,965	293	1.1
Loans in credit card business	475,528	465,110	-10,418	-2.2
Investment securities in banking business	464,145	434,121	-30,023	-6.5
Loans in banking business	414,620	483,579	68,958	16.6
Other financial assets	511,487	530,688	19,201	3.8
Property and equipment	164,783	174,133	9,349	5.7
Right-of-use assets	162,763	183,205	20,442	12.6
Goodwill	1,788,481	1,789,533	1,051	0.1
Intangible assets	1,216,379	1,213,534	-2,844	-0.2
Investments accounted for using the equity method	203,398	236,313	32,914	16.2
Deferred tax assets	37,176	39,446	2,269	6.1
Other assets	68,806	76,665	7,858	11.4
<b>Total assets</b>	<b>7,110,386</b>	<b>7,247,081</b>	<b>136,695</b>	<b>1.9</b>

(Millions of yen)

	As of Mar. 31, 2022	As of June 30, 2022	Increase/decrease	
	Amount	Amount	Amount	Change (%)
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Trade and other payables	524,989	496,461	-28,528	-5.4
Customer deposits in banking business	1,431,175	1,507,842	76,666	5.4
Interest-bearing liabilities	1,666,503	1,791,945	125,441	7.5
Other financial liabilities	8,528	5,686	-2,841	-33.3
Income taxes payable	43,186	22,113	-21,073	-48.8
Provisions	28,619	20,762	-7,856	-27.5
Deferred tax liabilities	262,539	261,679	-859	-0.3
Other liabilities	162,645	152,745	-9,900	-6.1
<b>Total liabilities</b>	<b>4,128,188</b>	<b>4,259,236</b>	<b>131,047</b>	<b>3.2</b>
<b>Equity</b>				
Equity attributable to owners of the parent				
Common stock	237,980	237,981	1	0.0
Capital surplus	2,037,384	2,041,370	3,985	0.2
Retained earnings	401,322	390,442	-10,880	-2.7
Treasury stock	-54,086	-54,086	—	—
Accumulated other comprehensive income	61,776	74,268	12,491	20.2
Total equity attributable to owners of the parent	2,684,377	2,689,975	5,598	0.2
Non-controlling interests	297,819	297,868	48	0.0
<b>Total equity</b>	<b>2,982,197</b>	<b>2,987,844</b>	<b>5,647</b>	<b>0.2</b>
<b>Total liabilities and equity</b>	<b>7,110,386</b>	<b>7,247,081</b>	<b>136,695</b>	<b>1.9</b>

## (2) Interim Condensed Consolidated Statement of Profit or Loss

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022	Increase/decrease	
	Amount	Amount	Amount	Change (%)
Revenue	373,352	390,565	17,213	4.6
Cost of sales	119,569	122,249	2,679	2.2
Selling, general and administrative expenses	202,397	218,595	16,197	8.0
Operating income	51,385	49,721	-1,664	-3.2
Other non-operating income	7,751	3,531	-4,219	-54.4
Other non-operating expenses	3,298	3,505	206	6.3
Gain on change in equity interest	2,405	4,172	1,766	73.4
Equity in losses of associates and joint ventures	-6,460	-8,698	-2,238	—
Profit before tax	51,783	45,221	-6,562	-12.7
Income tax expense	20,862	15,353	-5,509	-26.4
Profit for the period	30,921	29,868	-1,052	-3.4
Attributable to:				
Owners of the parent	26,617	25,232	-1,384	-5.2
Non-controlling interests	4,303	4,635	331	7.7
Profit for the period	30,921	29,868	-1,052	-3.4
Earnings per share attributable to owners of the parent				
Basic (yen)	3.50	3.37	-0.14	-3.9
Diluted (yen)	3.49	3.36	-0.13	-3.8

## (3) Interim Condensed Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit for the period	30,921	29,868
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	10	-27
Equity financial assets measured at FVTOCI	6,622	327
Share of other comprehensive income of associates	75	35
Subtotal	6,708	334
Items that may be reclassified subsequently to profit or loss		
Debt financial assets measured at FVTOCI	375	-1,414
Exchange differences on translating foreign operations	1,822	21,033
Subtotal	2,197	19,619
Other comprehensive income, net of tax	8,905	19,954
Total comprehensive income	39,827	49,822
Total comprehensive income attributable to:		
Owners of the parent	35,338	45,146
Non-controlling interests	4,489	4,675
Total comprehensive income	39,827	49,822

## (4) Interim Condensed Consolidated Statement of Changes in Equity

Three months ended June 30, 2021

(Millions of yen)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income	Total		
Balance at April 1, 2021	237,724	2,063,881	362,999	-17,385	35,098	2,682,318	307,279	2,989,597
Profit for the period			26,617			26,617	4,303	30,921
Other comprehensive income, net of tax					8,720	8,720	185	8,905
Total comprehensive income for the period	—	—	26,617	—	8,720	35,338	4,489	39,827
Transactions with owners and other transactions								
Issue of common stock	17	17				34		34
Payment of dividends			-42,228			-42,228	-4,678	-46,906
Transfer of accumulated other comprehensive income to retained earnings			327		-327	—		—
Changes attributable to obtaining or losing control of subsidiaries						—	-462	-462
Changes in ownership interests in subsidiaries without losing control		-12,051				-12,051	-18,641	-30,692
Share-based payment transactions		2,840				2,840		2,840
Others		-149	-13			-163	31	-131
Total	17	-9,343	-41,914	—	-327	-51,568	-23,750	-75,318
Balance at June 30, 2021	237,741	2,054,537	347,702	-17,385	43,491	2,666,088	288,017	2,954,106

Three months ended June 30, 2022

(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, 2022	237,980	2,037,384	401,322	-54,086	61,776	2,684,377	297,819	2,982,197
Profit for the period			25,232			25,232	4,635	29,868
Other comprehensive income, net of tax					19,913	19,913	40	19,954
Total comprehensive income for the period	—	—	25,232	—	19,913	45,146	4,675	49,822
Transactions with owners and other transactions								
Issue of common stock	1	1				2		2
Payment of dividends			-43,535			-43,535	-6,151	-49,686
Transfer of accumulated other comprehensive income to retained earnings			7,422		-7,422	—		—
Changes attributable to obtaining or losing control of subsidiaries						—	966	966
Changes in ownership interests in subsidiaries without losing control		446				446	562	1,008
Share-based payment transactions		3,538				3,538		3,538
Others		-0				-0	-4	-5
Total	1	3,985	-36,113	—	-7,422	-39,548	-4,627	-44,175
Balance at June 30, 2022	237,981	2,041,370	390,442	-54,086	74,268	2,689,975	297,868	2,987,844

## (5) Interim Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
	Amount	Amount
<b>Cash flows from operating activities:</b>		
Profit before tax	51,783	45,221
Depreciation and amortization	34,344	34,638
Gain on change in equity interest	-2,405	-4,172
Equity in losses of associates and joint ventures	6,460	8,698
Increase in call loans in banking business	-35,000	-10,000
Decrease in trade and other receivables	69,031	36,778
Decrease in trade and other payables	-63,982	-34,958
Decrease in loans in credit card business	15,839	10,418
Increase in loans in banking business	-16,479	-68,958
Increase in customer deposits in banking business	65,760	76,666
Others	-24,203	-30,073
Subtotal	101,148	64,259
Interest and dividends received	692	555
Interest paid	-2,066	-2,233
Income taxes—paid	-47,015	-40,552
Net cash generated by operating activities	52,759	22,027
<b>Cash flows from investing activities:</b>		
Purchase of investment securities in banking business	-56,505	-30,793
Proceeds from sales/redemption of investment securities in banking business	70,357	62,645
Purchase of other investments	-27,075	-30,708
Purchase of property and equipment	-12,183	-17,221
Purchase of intangible assets	-11,720	-12,555
Others	7,384	3,337
Net cash used in investing activities	-29,741	-25,295
<b>Cash flows from financing activities:</b>		
Net increase in short-term borrowings	23,899	63,160
Proceeds from long-term borrowings	1,893	43,199
Proceeds from issuance of commercial papers	75,500	151,000
Redemption of commercial papers	-21,000	-148,000
Dividends paid	-42,247	-43,569
Repayment of lease liabilities	-10,010	-9,097
Others	-39,169	-8,910
Net cash generated by (used in) financing activities	-11,135	47,782
Effects of exchange rate changes on cash and cash equivalents	487	7,226
Net increase in cash and cash equivalents	12,370	51,741
Cash and cash equivalents at the beginning of the period	1,065,726	1,127,523
Cash and cash equivalents at the end of the period	1,078,096	1,179,265



## (6) Notes to Interim Condensed Consolidated Financial Statements

### 1. Going Concern Assumption

Not applicable.

### 2. Use of Estimates and Judgments

In preparing the interim condensed 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 interim condensed consolidated financial statements of the Z Holdings Group are consistent with those described in the consolidated financial statements for the previous consolidated fiscal year.

Due to the outbreak of the coronavirus disease (COVID-19), there has been a sharp slowdown in economic activity and consequent deterioration in the economic environment, but they have not had a significant impact on the Group's business results for the cumulative consolidated first quarter. As of this moment, it is difficult to make a reasonable estimate of the duration and extent of the impact of the COVID-19 infection. If there is a delay in the curbing of the outbreak, 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 interim condensed consolidated financial statements of the current period. For confirmation, there has not been any significant change in such estimates since the end of the previous consolidated fiscal year. However, future uncertainties may cause a discrepancy between the estimated amount made with the best estimates and the subsequent results.

### 3. Gain on change in equity interest

This cumulative consolidated first quarter of the fiscal year ending March 31, 2023 (April 1, 2022 – June 30, 2022)

Gain on change in equity interest arose from the change in equity ratio of Z Holdings Corporation in Webtoon Entertainment Inc.

### 4. Significant Subsequent Events

#### Conversion into a Consolidated Subsidiary through Share Delivery

At the Board of Directors meeting held on July 27, 2022, the Company resolved to sign a transaction agreement (the "Transaction Agreement") with SoftBank Corp. related to a series of transactions to convert PayPay Corporation into a consolidated subsidiary of the Company (the "Transaction"), and the Transaction Agreement was signed on the same date.

In accordance with the Transaction Agreement, PayPay Corporation is scheduled to be converted into a subsidiary of the Company through implementation of a share delivery (the "Share Delivery") in which B Holdings Corporation, which is scheduled to be established by Z Intermediate Holdings Corporation, a wholly-owned subsidiary of the Company, shall become the share delivery parent company and PayPay Corporation shall become the share delivery subsidiary.

#### 1) Aim of the Transaction

Since its business integration with LINE Corporation implemented in March 2021, Z Holdings Group has been engaged in solving various social issues through synergies with diverse group companies, mainly through its three action points, which all are

essential to daily life: connection of “Information & People” (Yahoo! JAPAN), “People & People” (LINE), and “People & Financial Services” (PayPay). The goal is to grow into an AI tech company that will lead the world by establishing a unique ecosystem that distinguishes itself from other global IT companies through collaboration within the Group companies. PayPay Corporation provides a cashless payment service “PayPay,” which is one of the Company’s three action points. The service has acquired 48.65 million cumulative registered users and merchants in 3.74 million locations (Note 1) in three years and nine months since its launch, achieving rapid growth as a social infrastructure.

Thus far, PayPay Corporation, whose parent company is SoftBank Group Corp., has achieved growth through the strengths of its shareholders, such as the Z Holdings Group and SoftBank Corp. Through the Transaction, the Company and SoftBank Corp. will jointly manage B Holdings Corporation, and PayPay Corporation will become a consolidated subsidiary of the Company. The Company believes the Transaction will not only enhance the solving of social issues, but will also maximize the corporate values of the Z Holdings Group and PayPay Corporation, and has thus decided to execute the Transaction.

Note 1: As of June 30, 2022 (Cumulative number of PayPay registered locations (e.g., stores, taxis, etc.))

## 2) Summary of the Share Delivery, etc.

### (1) Summary of the Share Delivery, etc.

- (a) Z Intermediate Holdings Corporation shall establish B Holdings Corporation. SoftBank Corp. will then make an investment into B Holdings Corporation (the “Investment”) in order for SoftBank Corp. and Z Intermediate Holdings Corporation to hold an equal ownership ratio (50:50) in B Holdings Corporation.
- (b) By way of dividends-in-kind, (i) Yahoo Japan Corporation, a subsidiary of the Company, shall transfer all of its common shares and Class A preferred shares in PayPay Corporation to Z Intermediate Holdings Corporation, and (ii) of these common shares, 163,196 shares shall be transferred to the Company (hereafter, the dividends-in-kind of (i) and (ii) shall collectively be referred to as the “Dividends-in-kind”).
- (c) After the effective dates of the Investment and the Dividends-in-kind, SoftBank Corp. and Z Intermediate Holdings Corporation shall respectively exercise their rights to request acquisition (Note 2) of the PayPay Corporation Class A preferred shares held respectively. On the date the Share Delivery takes effect (however, prior to the effective date of the Share Delivery), all said Class A preferred shares shall be converted into PayPay Corporation common shares (the “Conversion of Share Class”).
- (d) B Holdings Corporation shall implement the Share Delivery. SoftBank Corp. and Z Intermediate Holdings Corporation shall supply B Holdings Corporation with 796,804 PayPay Corporation common shares that they respectively hold after the Conversion of Share Class on the effective date of the Share Delivery. Based on the share delivery plan, B Holdings Corporation will deliver to SoftBank Corp. and Z Intermediate Holdings Corporation: one (1) Class A preferred share for one (1) common share of PayPay Corporation.

Note 2: Upon receiving the exercise of the rights for an acquisition request, PayPay Corporation shall, in exchange for acquiring Class A preferred shares requested by Class A preferred shareholders, deliver one (1) common share per one (1) Class A preferred share to the said Class A preferred shareholders.

As a result of the Transaction, B Holdings Corporation shall acquire a majority of voting rights in PayPay Corporation, making it the parent company. In addition, the Company shall acquire the nomination rights for the majority of directors of B Holdings Corporation (Note 3). Accordingly, PayPay Corporation will be consolidated to the Company through Z Intermediate Holdings Corporation and B Holdings Corporation. As a result, PayPay Corporation is expected to become a subsidiary of the Company.

Note 3: As of July 27, 2022, the Company signed with SoftBank Corp. a shareholders’ agreement, in which the target company is B Holdings Corporation (the “Shareholders’ Agreement”). Should the Share Delivery take effect, the Shareholders’ Agreement stipulates that the Company will have the right to nominate the majority of directors that compose the Board of Directors of B Holdings Corporation.

(Schedule for the Transaction)

July 27, 2022	Execution of the Transaction Agreement
by September 30, 2022	Establishment of B Holdings Corporation (target)
by September 30, 2022	Effective date of the Dividends-in-kind (target)
October 1, 2022	Effective date of the Investment (target)
October 1, 2022	Effective date of the Conversion of Share Class and the Share Delivery (completion of the Transaction) (both targets)

Note: The abovementioned schedule is subject to change reflecting the necessity to carry out procedures for the Transaction and for other reasons.

(2) Method of the Share Delivery

The Share Delivery stipulates B Holdings Corporation as the share delivery parent company and PayPay Corporation as the share delivery subsidiary. In addition, the application deadline for the transfer of shares of the share delivery subsidiary in connection with the Share Delivery is September 30, 2022. By this date, SoftBank Corp. and Z Intermediate Holdings Corporation are scheduled to sign a stock transfer agreement with B Holdings Corporation, which agrees that B Holdings Corporation receives 796,804 PayPay Corporation shares from SoftBank Corp. and Z Intermediate Holdings Corporation respectively (a total of 1,593,608 PayPay Corporation shares) for the Share Delivery (SoftBank Corp. and Z Intermediate Holdings Corporation holds 796,804 shares each out of 1,756,804 PayPay Corporation common outstanding shares post the Conversion of Share Class). When the stock transfer agreement is signed, in accordance with Article 774-6 of the Companies Act, procedures stipulated in Article 774-4 (application for the transfer of shares of the subsidiary in the share delivery) and Article 774-5 (allocation of shares of the subsidiary in the share delivery which the parent company in the share delivery will receive) will not be carried out.

(3) Details of allocation concerning the Share Delivery

B Holdings Corporation shall allocate and deliver its Class A preferred shares based on allocation of one (1) Class A preferred share for one (1) PayPay Corporation common share. In the Share Delivery, B Holdings Corporation will not deliver any considerations for Class A preferred shares in PayPay Corporation. In addition, the lower limit for the number of PayPay Corporation common shares to be received by B Holdings Corporation is 1,593,608 shares, and the lower limit for the number of PayPay Corporation Class A preferred shares to be received by B Holdings Corporation are zero (0) shares.

(4) Calculation method for stock allocation in the Share Delivery

B Holdings Corporation shall allocate and deliver one (1) B Holdings Corporation Class A preferred share for one (1) PayPay Corporation common share. The receipt and allocation of common shares shall only apply to Z Intermediate Holdings Corporation and SoftBank Corp., each owning the same number of common shares of B Holdings Corporation, the share delivery parent company. In addition, B Holdings Corporation shall receive 796,804 PayPay Corporation common shares that are held by Z Intermediate Holdings Corporation and SoftBank Corp. respectively after the Conversion of Share Class. Based on the total number of shares outstanding of PayPay Corporation and B Holdings Corporation on October 1, 2022, the number of PayPay Corporation common shares allocated for the Share Delivery is determined after discussions between the Company, the parent company of Z Intermediate Holdings Corporation, and SoftBank Corp., taking into account the financial position and future outlook of both companies.

3) Profiles of parties to the Share Delivery

	Share delivery parent company	Share delivery subsidiary
(1) Name	B Holdings Corporation	PayPay Corporation
(2) Address	1-3 Kioicho, Chiyoda-ku, Tokyo	1-3 Kioicho, Chiyoda-ku, Tokyo

(3) Position and name of representative	Ryosuke Sakaue, Representative Director (as of establishment) Note: Kentaro Kawabe and Junichi Miyakawa are scheduled to be appointed on and after the effective date of the Share Delivery	Ichiro Nakayama, President and Representative Director, CEO, Corporate Officer														
(4) Business description	Management of group companies and peripheral operations	Development/provision of e-payment services such as mobile payments														
(5) Capital	JPY75 million yen	JPY121,800 million yen														
(6) Date of establishment	September 2022 (target)	June 15, 2018														
(7) Number of shares outstanding	Number of common shares: 15 shares (at time of establishment) (target)	(as of June 30, 2022) Number of common shares: 1,660,000 shares Number of Class A preferred shares: 1,090,000 shares														
(8) Month of fiscal year closing	March	March														
(9) Headcount	0 employees	(as of March 31, 2022) 1,846 employees														
(10) Major customers	No applicable matters	No applicable matters														
(11) Main banks	No applicable matters	No applicable matters														
(12) Major shareholders & shareholding ratios	Z Intermediate Holdings Corporation: 100% (at time of establishment) (Note)	<table border="0"> <tr> <td>Common shares</td> <td>(Ratio of common shares held)</td> </tr> <tr> <td>SVF II Piranha (DE) LLC</td> <td>50.0%</td> </tr> <tr> <td>SoftBank Corp.</td> <td>25.0%</td> </tr> <tr> <td>Yahoo Japan Corporation</td> <td>25.0%</td> </tr> <tr> <td>Class A preferred shares</td> <td>(Ratio of Class A preferred shares held)</td> </tr> <tr> <td>SoftBank Corp.</td> <td>50.0%</td> </tr> <tr> <td>Yahoo Japan Corporation</td> <td>50.0%</td> </tr> </table> (as of June 30, 2022)	Common shares	(Ratio of common shares held)	SVF II Piranha (DE) LLC	50.0%	SoftBank Corp.	25.0%	Yahoo Japan Corporation	25.0%	Class A preferred shares	(Ratio of Class A preferred shares held)	SoftBank Corp.	50.0%	Yahoo Japan Corporation	50.0%
Common shares	(Ratio of common shares held)															
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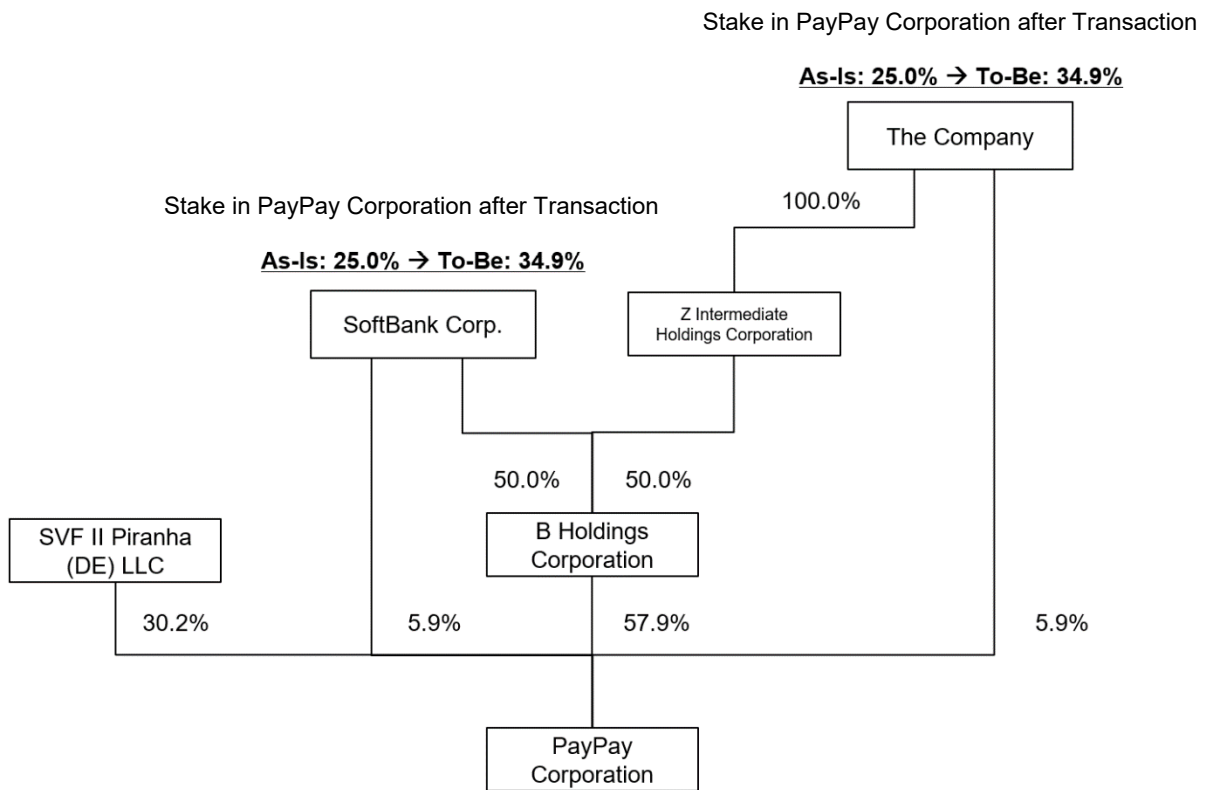
Note: Through the Investment, Z Intermediate Holdings Corporation and SoftBank Corp. shall have an equal ownership ratio (50:50) in B Holdings Corporation.

4) Forecast

The impact to earnings in and after the second quarter of the fiscal year ending March 31, 2023 from this Transaction is currently under close scrutiny.

(Reference information)

Capital structure after the Transaction



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.