

## Results for the Nine Months Ended December 31, 2022 (FY2022-3Q) [IFRSs]

February 2, 2023

Company Name: Z Holdings Corporation Share Listings: Prime Market of TSE  
 Code No.: 4689 URL: <https://www.z-holdings.co.jp/en/>  
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Scheduled Securities Report Submission Date: February 8, 2023

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 FY2022-3Q (April 1, 2022 - December 31, 2022) (Amounts less than one million yen are omitted)

(1) Consolidated Business Performance (April 1, 2022 - December 31, 2022)

(Figures in parenthesis are % change YoY)

	Revenue	Operating income	Income before income taxes	Net income	Net income attributable to owners of the parent	Total comprehensive income
	Millions of yen (%)	Millions of yen (%)	Millions of yen (%)	Millions of yen (%)	Millions of yen (%)	Millions of yen (%)
Nine-month period ended Dec. 31, 2022	1,238,596 (6.8)	290,260 (64.4)	229,289 (68.3)	192,228 (139.5)	180,151 (169.6)	288,327 (183.9)
Nine-month period ended Dec. 31, 2021	1,160,136 (32.8)	176,515 (24.1)	136,212 (6.8)	80,263 (-2.3)	66,821 (-0.1)	101,571 (-10.5)

	Adjusted EBITDA	Adjusted EPS	Basic earnings per share	Diluted earnings per share
	Millions of yen (%)	Yen (%)	Yen	Yen
Nine-month period ended Dec. 31, 2022	260,762 (-8.5)	4.91 (-48.5)	24.04	23.97
Nine-month period ended Dec 31, 2021	285,118 (23.4)	9.54 (-40.9)	8.80	8.74

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent
	Millions of yen	Millions of yen	Millions of yen	%
As of Dec. 31, 2022	8,573,818	3,316,909	2,917,230	34.0
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	—	0.00	—		
Fiscal year ending March 31, 2023 (Estimates)				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	0.0

(Note) Revision in performance estimates previously announced: Yes

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 on page 5 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): Yes

Newly consolidated subsidiaries: 1 (PayPay Corporation)

(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 Dec. 31, 2022 7,633,398,286 shares

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

2) Number of shares of treasury stocks

As of Dec. 31, 2022 136,886,338 shares

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

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

As of Dec. 31, 2022 7,494,460,863 shares

As of Dec. 31, 2021 7,595,737,431 shares

Note: The number of shares of treasury stocks includes the number of Z Holdings Corporation's shares held by the Stock Delivery Trust (J-ESOP), the Board Incentive Plan Trust, and the Stock Delivery ESOP Trust (as of December 31, 2022: 33,839,163 shares).

(4) Formula for each management index

• Adjusted EBITDA: Operating income + Depreciation & amortization (\*1) ± EBITDA adjustment items (\*2)

• Adjusted EPS: Adjusted net income (\*3) / Average number of common stocks outstanding (quarterly cumulative)

(\*1) Depreciation & amortization: Depreciation, depreciation of right-of-use assets, certain rents

(\*2) 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, gains/losses on step acquisition, other transactions with undetermined cash outflows (one-time provisions, etc.), etc.). Also, gains/losses on sales of shares held by certain funds.

Note: Changed the definition of Adjusted EBITDA from the third quarter of the fiscal year ending March 31, 2023. Added certain rents to depreciation and amortization, and gains/losses on sales of shares held by certain funds to EBITDA adjustment items. Said income and expense for the first and second quarter of the fiscal year ending March 31, 2023 are lumped together and adjusted in the third quarter of the fiscal year ending March 31, 2023.

(\*3) Adjusted net income: Net income attributable to owners of the parent ± EBITDA adjustment items ± tax equivalent on some adjustment items

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

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

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

- Supplementary materials to the earnings results are published on Z Holdings Corporation's website (<https://www.z-holdings.co.jp/en/ir.html>) on Thursday, February 2, 2023.

- 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 – Dec. 31, 2022)

<p>■ Highlights</p> <ul style="list-style-type: none"> <li>Revenue of 1,238.5 billion yen reaching a record high cumulative consolidated third quarter revenue due to the consolidation of PayPay Corporation, etc.</li> <li>Adjusted EBITDA decreased due to the absence of gain on sales of YJFX, Inc. in the second quarter of the previous fiscal year and the consolidation of PayPay Corporation, etc.</li> </ul>
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	Nine months ended Dec. 31, 2021 (yen)	Nine months ended Dec. 31, 2022 (yen)	Year-on-Year Change (yen)	Year-on-Year Change (%)
Revenue	1,160.1 billion	1,238.5 billion	+78.4 billion	+6.8%
Adjusted EBITDA	285.1 billion	260.7 billion	-24.3 billion	-8.5%

The revenue for the cumulative consolidated third quarter of the fiscal year ending March 31, 2023 amounted to 1,238.5 billion yen (up 6.8% year on year), resulting in the highest cumulative consolidated third quarter revenue. In addition to the impact of the consolidation of PayPay Corporation in October 2022, this was due to an increase in the revenue in the Commerce Business, and increases in LINE Corporation's account ads revenue and Yahoo Japan Corporation's search advertising revenue.

Adjusted EBITDA for the cumulative consolidated third quarter decreased 8.5% year on year, to 260.7 billion yen, despite the abovementioned revenue growth, due to the absence of gain on sales of YJFX, Inc. in the second quarter of the previous fiscal year and the impact of the consolidation of PayPay Corporation in October 2022, etc.

### 2. Segment Business Results Summary (April 1, 2022 – December 31, 2022)

#### Revenue and Adjusted EBITDA by Segment

	Nine months ended Dec. 31, 2021 (yen)	Nine months ended Dec. 31, 2022 (yen)	Year-on-Year Change (yen)	Year-on-Year Change (%)
Media Business				
Revenue	471.7 billion	473.7 billion	+2.0 billion	+0.4%
Adjusted EBITDA	196.2 billion	195.0 billion	-1.1 billion	-0.6%
Commerce Business				
Revenue	602.3 billion	634.2 billion	+31.8 billion	+5.3%
Adjusted EBITDA	110.9 billion	115.6 billion	+4.7 billion	+4.3%
Strategic Business				
Revenue	83.0 billion	128.5 billion	+45.4 billion	+54.7%
Adjusted EBITDA/loss	-1.6 billion	-21.2 billion	-19.6 billion	—
Others				
Revenue	15.9 billion	17.0 billion	+1.0 billion	+6.9%
Adjusted EBITDA	4.6 billion	1.8 billion	-2.8 billion	-60.8%
Adjustments				
Revenue	-12.8 billion	-14.9 billion	—	—
Adjusted EBITDA/loss	-24.9 billion	-30.5 billion	—	—
Total				
Revenue	1,160.1 billion	1,238.5 billion	+78.4 billion	+6.8%
Adjusted EBITDA	285.1 billion	260.7 billion	-24.3 billion	-8.5%

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 Third Quarter**

Revenue of the Media Business amounted to 473.7 billion yen, increasing 0.4% year on year. Adjusted EBITDA decreased 0.6% year on year, to 195.0 billion yen. The revenue of the Media Business accounted for 38.2% of total revenue.

Revenue of LINE Corporation's account ads increased 17.9% year on year due to a steady increase in the number of paid accounts resulting from their increased recognition as an important CRM tool. Revenue of display ads decreased year on year, due to the impact of market conditions, in addition to impacts mainly from the renewal of LINE VOOM.

Continuing on from the second quarter, Yahoo Japan Corporation's search advertising showed stable growth. While programmatic advertising excluding commerce advertising maintained the same level as the same period of the previous fiscal year, revenue of display advertising decreased from the same period of the previous fiscal year due to a decline in placements for reservation advertising, etc.

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

Revenue of the Commerce Business grew year on year, due to revenue increases in the ASKUL Group and ZOZO Group and continued favorable performance in the travel businesses, etc. following the reopening of economic activity and Japan's nation-wide travel incentives.

Although costs were optimized, e-commerce transaction value (\*1) amounted to 3.1340 trillion yen, increasing 11.3% year on year, due to the aforementioned favorable performance in the travel businesses, growth in domestic merchandise, overseas EC and others. Out of the e-commerce transaction value, domestic merchandise transaction value amounted to 2.2757 trillion yen, increasing 4.4% year on year.

As a result, revenue of the Commerce Business of the cumulative consolidated third quarter amounted to 634.2 billion yen, increasing 5.3% year on year. Adjusted EBITDA increased 4.3% year on year, to 115.6 billion yen. The revenue of the Commerce Business accounted for 51.2% 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 Third Quarter**

Revenue of the Strategic Business grew largely year on year, due to the consolidation of PayPay Corporation in October 2022 and growth in the fintech domain.

Furthermore, PayPay GMV amounted to 5.7294 trillion yen (up 46.4% year on year), showing steady expansion due to an increase in the number of PayPay payments and average spend. Credit card transaction volume of PayPay Card Corporation steadily increased to 2.6608 trillion yen (up 24.6% year on year) and loan balance of PayPay Bank, to 511.8 billion yen (up 59.4% year on year).

As a result, revenue of the Strategic Business of the cumulative consolidated third quarter amounted to 128.5 billion yen, increasing 54.7% year on year. The revenue of the Strategic Business accounted for 10.4% 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 (*2), 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		ebookjapan, Real estate-related services, Yahoo! JAPAN Loco, etc.		
Commerce Business	Merchandise EC	Shopping business		Yahoo! JAPAN Shopping, PayPay Mall (*3), ZOZOTOWN, LOHACO, Charm, LINE SHOPPING, LINE FRIENDS, LINE GIFT, MySmartStore, Yahoo! JAPAN Mart by ASKUL, LIVEBUY, overseas EC (LINE SHOPPING (Taiwan, Thailand), GIFTSHOP, EZ STORE, QUICK EC, MyShop, LINE MAN, etc.)
		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 (*4)		—
		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 (*5), etc.	

(\*2) livedoor business was transferred to MINKABU THE INFONOID, Inc. on December 28, 2022.

(\*3) Yahoo! JAPAN Shopping and PayPay Mall integrated in October 2022, and renewed to a new Yahoo! JAPAN Shopping.

(\*4) PayPay Corporation was consolidated as of October 1, 2022.

(\*5) LINE Healthcare terminated its service as of February 2, 2023.

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

Adjusted EBITDA for the fiscal year ending March 31, 2023 is revised to the lower limit of 331.5 billion yen from the performance estimates of 331.5 – 340.0 billion yen announced in the Results for the Fiscal Year Ended March 31, 2022. Despite changes in market conditions and the impact of PayPay Corporation becoming a consolidated subsidiary in October 2022, the revised estimate is planned to be achieved by absorbing the impacts through cost optimization and other measures. There is no change to the revenue estimate announced in the Results for the Fiscal Year Ended March 31, 2022.

	Revenue	Adjusted EBITDA
	Millions of yen	Millions of yen
Previously announced estimates (A)	1,724,000	331,500 - 340,000
Revised estimates (B)	1,724,000	331,500
Change (Amount) (B-A)	—	-8,500 - 0.0
Change (%)	—	-2.5 - 0.0
(Reference) Previous consolidated results (Fiscal year ending March 31, 2022)	1,567,421	331,486

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

### 1. Assets, Liabilities, and Equity

#### 1) Assets

Total assets at the end of this consolidated third quarter amounted to 8,573,818 million yen, increasing 1,463,432 million yen, or 20.6%, 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.
- Trade and other receivables increased compared with the end of fiscal 2021, mainly due to the consolidation of PayPay Corporation.
- Loans for credit card business increased from the end of fiscal 2021, mainly due to the increase in the transaction volume of the credit card business.
- Loans in banking business increased compared with the end of fiscal 2021 mainly due to the increase in housing loans.
- Goodwill increased compared with the end of fiscal 2021, mainly due to the consolidation of PayPay Corporation.

#### 2) Liabilities

Total liabilities at the end of this consolidated third quarter were 5,256,908 million yen, increasing 1,128,720 million yen, or 27.3%, from the end of fiscal 2021. The major components of change were the following:

- Trade and other payables increased compared with the end of fiscal 2021, mainly due to the consolidation of PayPay Corporation.
- 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 third quarter amounted to 3,316,909 million yen, increasing 334,712 million yen, or 11.2%, from the end of fiscal 2021. The primary reason for change in equity was as follows:

- Retained earnings increased from the end of fiscal 2021 due to the recognition of profit for the period attributable to owners of the parent, and the transfer from accumulated other comprehensive income to retained earnings as a result of the consolidation of PayPay Corporation, despite payment of dividends.

### 2. Cash Flows

At the end of this consolidated third quarter, cash and cash equivalents amounted to 1,860,286 million yen, increasing 732,763 million yen from the end of fiscal 2021, out of which deposit with the Bank of Japan for banking business was 429,446 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 246,290 million yen mainly because of increase in trade and other payables and recognition of profit before tax for the period under review despite the increase in loans in credit card business, increase in loans in banking business, increase in trade and other receivables, and payment of income taxes.

Cash flows from investing activities amounted to a cash inflow of 420,109 million yen, chiefly due to the proceeds from acquisition of control over subsidiaries and proceeds from sales/redemption of investment securities in banking business, despite purchase of investment securities in banking business, purchase of property and equipment, and purchase of intangible assets.

Cash flows from financing activities amounted to a cash inflow of 61,369 million yen, attributed mainly to proceeds from long-term borrowings, net increase in short-term borrowings, and proceeds from issuance of corporate bonds, despite redemption of corporate bonds, payment of dividends, and repayments of long-term borrowings.



### (3) Significant Contracts

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

### (4) Risk Factors

During this cumulative consolidated third 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 Dec. 31, 2022	Increase/decrease	
	Amount	Amount	Amount	Change (%)
<b>Assets</b>				
Cash and cash equivalents	1,127,523	1,860,286	732,763	65.0
Call loans in banking business	80,000	80,000	—	—
Trade and other receivables	368,618	653,305	284,687	77.2
Inventories	26,671	28,111	1,439	5.4
Loans in credit card business	475,528	569,571	94,042	19.8
Investment securities in banking business	464,145	363,859	-100,285	-21.6
Loans in banking business	414,620	508,602	93,981	22.7
Other financial assets	511,487	436,936	-74,550	-14.6
Property and equipment	164,783	199,439	34,656	21.0
Right-of-use assets	162,763	193,585	30,821	18.9
Goodwill	1,788,481	2,066,248	277,766	15.5
Intangible assets	1,216,379	1,274,002	57,623	4.7
Investments accounted for using the equity method	203,398	199,948	-3,450	-1.7
Deferred tax assets	37,176	54,160	16,983	45.7
Other assets	68,806	85,759	16,952	24.6
<b>Total assets</b>	<b>7,110,386</b>	<b>8,573,818</b>	<b>1,463,432</b>	<b>20.6</b>

(Millions of yen)

	As of Mar. 31, 2022	As of Dec. 31, 2022	Increase/decrease	
	Amount	Amount	Amount	Change (%)
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Trade and other payables	524,989	1,349,624	824,635	157.1
Customer deposits in banking business	1,431,175	1,473,586	42,411	3.0
Interest-bearing liabilities	1,666,503	1,835,879	169,376	10.2
Other financial liabilities	8,528	105,202	96,674	1,133.5
Income taxes payable	43,186	18,002	-25,184	-58.3
Provisions	28,619	21,163	-7,455	-26.1
Deferred tax liabilities	262,539	264,501	1,962	0.7
Other liabilities	162,645	188,947	26,301	16.2
<b>Total liabilities</b>	<b>4,128,188</b>	<b>5,256,908</b>	<b>1,128,720</b>	<b>27.3</b>
<b>Equity</b>				
Equity attributable to owners of the parent				
Common stock	237,980	247,064	9,084	3.8
Capital surplus	2,037,384	2,043,937	6,552	0.3
Retained earnings	401,322	646,029	244,707	61.0
Treasury stock	-54,086	-70,468	-16,381	—
Accumulated other comprehensive income	61,776	50,667	-11,108	-18.0
Total equity attributable to owners of the parent	2,684,377	2,917,230	232,853	8.7
Non-controlling interests	297,819	399,678	101,858	34.2
<b>Total equity</b>	<b>2,982,197</b>	<b>3,316,909</b>	<b>334,712</b>	<b>11.2</b>
<b>Total liabilities and equity</b>	<b>7,110,386</b>	<b>8,573,818</b>	<b>1,463,432</b>	<b>20.6</b>

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

(Millions of yen)

	Nine months ended Dec. 31, 2021	Nine months ended Dec. 31, 2022	Increase/decrease	
	Amount	Amount	Amount	Change (%)
Revenue	1,160,136	1,238,596	78,459	6.8
Cost of sales	366,408	378,077	11,669	3.2
Selling, general and administrative expenses	632,235	731,153	98,917	15.6
Gain on remeasurement relating to business combinations	—	156,501	156,501	—
Gain on sale of shares of subsidiaries	15,022	4,392	-10,630	-70.8
Operating income	176,515	290,260	113,744	64.4
Other non-operating income	14,147	5,198	-8,949	-63.3
Other non-operating expenses	9,451	13,694	4,243	44.9
Gain on change in equity interest	5,263	5,343	79	1.5
Equity in losses of associates and joint ventures	-31,884	-26,513	5,371	—
Impairment loss on investments in associates and joint ventures	18,378	31,303	12,925	70.3
Profit before tax	136,212	229,289	93,077	68.3
Income tax expense	55,948	37,061	-18,886	-33.8
Profit for the period	80,263	192,228	111,964	139.5
Attributable to:				
Owners of the parent	66,821	180,151	113,330	169.6
Non-controlling interests	13,441	12,076	-1,365	-10.2
Profit for the period	80,263	192,228	111,964	139.5
Earnings per share attributable to owners of the parent				
Basic (yen)	8.80	24.04	15.24	173.2
Diluted (yen)	8.74	23.97	15.22	174.1

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

(Millions of yen)

	Nine months ended Dec. 31, 2021	Nine months ended Dec. 31, 2022
Profit for the period	80,263	192,228
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	-819	835
Equity financial assets measured at FVTOCI	15,320	82,610
Share of other comprehensive income of associates	260	181
Subtotal	14,761	83,627
Items that may be reclassified subsequently to profit or loss		
Debt financial assets measured at FVTOCI	80	-2,012
Exchange differences on translating foreign operations	6,466	14,484
Subtotal	6,546	12,471
Other comprehensive income, net of tax	21,307	96,098
Total comprehensive income	101,571	288,327
Total comprehensive income attributable to:		
Owners of the parent	87,753	277,163
Non-controlling interests	13,818	11,163
Total comprehensive income	101,571	288,327

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

Nine months ended December 31, 2021

(Millions of yen)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income	Total		
Balance at April 1, 2021	237,724	2,063,881	362,999	-17,385	35,098	2,682,318	307,279	2,989,597
Profit for the period			66,821			66,821	13,441	80,263
Other comprehensive income, net of tax					20,931	20,931	376	21,307
Total comprehensive income for the period	—	—	66,821	—	20,931	87,753	13,818	101,571
Transactions with owners and other transactions								
Issue of common stock	255	255				510		510
Payment of dividends			-42,228			-42,228	-9,863	-52,092
Transfer of accumulated other comprehensive income to retained earnings			526		-526	—		—
Purchase of treasury stock				-0		-0		-0
Changes attributable to obtaining or losing control of subsidiaries						—	-462	-462
Changes in ownership interests in subsidiaries without losing control		-8,353				-8,353	-10,538	-18,891
Share-based payment transactions		8,584				8,584		8,584
Others		167	-4			163	-6	157
Total	255	654	-41,706	-0	-526	-41,322	-20,870	-62,192
Balance at Dec. 31, 2021	237,979	2,064,535	388,114	-17,385	55,503	2,728,748	300,227	3,028,976

Nine months ended December 31, 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			180,151			180,151	12,076	192,228
Other comprehensive income, net of tax					97,011	97,011	-912	96,098
Total comprehensive income for the period	—	—	180,151	—	97,011	277,163	11,163	288,327
Transactions with owners and other transactions								
Issue of common stock	9,084	9,206				18,290		18,290
Payment of dividends			-43,535			-43,535	-11,813	-55,348
Transfer of accumulated other comprehensive income to retained earnings			108,120		-108,120	—		—
Purchase of treasury stock				-16,381		-16,381		-16,381
Changes attributable to obtaining or losing control of subsidiaries		-11,519				-11,519	94,579	83,059
Changes in ownership interests in subsidiaries without losing control		74				74	7,844	7,919
Share-based payment transactions		9,639				9,639		9,639
Others		-848	-29			-878	83	-794
Total	9,084	6,552	64,555	-16,381	-108,120	-44,309	90,694	46,384
Balance at Dec. 31, 2022	247,064	2,043,937	646,029	-70,468	50,667	2,917,230	399,678	3,316,909

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

(Millions of yen)

	Nine months ended Dec. 31, 2021	Nine months ended Dec. 31, 2022
	Amount	Amount
<b>Cash flows from operating activities:</b>		
Profit before tax	136,212	229,289
Depreciation and amortization	100,491	108,068
Gain on remeasurement relating to business combinations	—	-156,501
Gain on sale of shares of subsidiaries	-15,022	-4,392
Gain on change in equity interest	-5,263	-5,343
Equity in losses of associates and joint ventures	31,884	26,513
Impairment loss on investments in associates and joint ventures	18,378	31,303
Increase (decrease) in trade and other receivables	14,798	-24,310
Increase in trade and other payables	10,640	270,243
Increase in loans for credit card business	-52,534	-94,042
Increase in loans in banking business	-72,402	-93,981
Increase in customer deposits in banking business	223,664	42,411
Others	-3,422	12,751
Subtotal	387,425	342,009
Interest and dividends received	1,946	2,353
Interest paid	-8,515	-7,641
Income taxes—paid	-82,233	-90,431
Net cash generated by operating activities	298,623	246,290
<b>Cash flows from investing activities:</b>		
Purchase of investment securities in banking business	-161,132	-93,474
Proceeds from sales/redemption of investment securities in banking business	188,846	192,454
Purchase of other investments	-116,619	-48,017
Purchase of property and equipment	-39,960	-71,619
Purchase of intangible assets	-210,314	-41,108
Proceeds from acquisition of control over subsidiaries	—	397,291
Others	30,468	84,583
Net cash generated by (used in) investing activities	-308,711	420,109
<b>Cash flows from financing activities:</b>		
Net increase (decrease) in short-term borrowings	-38,555	76,734
Proceeds from long-term borrowings	196,959	108,199
Repayments of long-term borrowings	-104,660	-38,795
Proceeds from issuance of new shares	46	16,824
Purchase of treasury stock	-0	-16,405
Proceeds from issuance of corporate bonds	100,000	60,000
Redemption of corporate bonds	-25,000	-85,000
Proceeds from issuance of commercial papers	444,500	479,000
Redemption of commercial papers	-297,000	-466,000
Dividends paid	-42,226	-43,552
Dividends paid to non-controlling interests	-9,014	-10,950
Repayment of lease liabilities	-29,203	-25,534
Others	-19,896	6,848
Net cash generated by financing activities	175,949	61,369
Effects of exchange rate changes on cash and cash equivalents	4,088	4,993
Net increase in cash and cash equivalents	169,949	732,763
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	1,235,676	1,860,286



## (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 third quarter. As of this moment, it is difficult to make a reasonable estimate of the duration and extent of the impact of the COVID-19 infection. If there is a delay in the curbing of the outbreak, 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. Business Combinations

This cumulative consolidated third quarter of the fiscal year ending March 31, 2023 (April 1, 2022 - December 31, 2022)

PayPay Corporation

#### (1) Outline of Business Combination

The share delivery (hereinafter "Share Delivery") took effect on October 1, 2022, and B Holdings Corporation has received the common shares of PayPay Corporation, making PayPay Corporation a consolidated subsidiary of B Holdings Corporation. Z Holdings Corporation (hereinafter the "Company") has acquired the nomination rights for the majority of directors of B Holdings Corporation under a shareholders' agreement concluded with SoftBank Corp. in which the target company is B Holdings Corporation (hereinafter the "Shareholders' Agreement"). As a result, PayPay Corporation has become a consolidated subsidiary of the Company.

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 54.00 million cumulative registered users and merchants in 3.98 million locations (Note) in four years and three 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: As of December 31, 2022 (Cumulative number of PayPay registered locations (e.g., stores, taxis, etc.))

(2) Outline of Acquired Company

Name	PayPay Corporation
Business description	Development/provision of e-payment services such as mobile payments

(3) Date of Acquisition

October 1, 2022

(4) Percentage of voting rights acquired

Z Holdings Corporation's shareholding ratio in PayPay Corporation is 5.9% (actual ownership 5.9%).

B Holdings Corporation's shareholding ratio in PayPay Corporation is 57.9% (actual ownership 29.0%).

(Z Holdings Corporation's actual ownership totals 34.9%)

Based on the share delivery plan, B Holdings Corporation delivered to SoftBank Corp. and Z Intermediate Holdings Corporation: one (1) Class A preferred share of B Holdings Corporation for one (1) common share of PayPay Corporation. Given the actual status of the transaction of making PayPay Corporation into a subsidiary with the shares of PayPay Corporation that were substantially held by Z Intermediate Holdings Corporation used as consideration, the accounting treatment is based on the actual ownership ratio of PayPay Corporation held by Z Holdings Corporation and Z Intermediate Holdings Corporation through B Holdings Corporation.

(5) Fair value of consideration paid, assets acquired and liabilities assumed; non-controlling interests and goodwill; as of the date of acquisition

(Millions of yen)

Fair value of consideration paid	
Fair value at the date of acquisition of shares of the acquired company held immediately before the date of acquisition	316,800
Fair value of assets acquired and liabilities assumed	
Assets*1	794,059
Cash and cash equivalents	397,291
Trade and other receivables	267,585
Intangible assets*2	60,774
Others	68,407
Liabilities*1	-651,981
Trade and other payables	-553,916
Other financial liabilities	-67,141
Deferred tax liabilities	-15,728
Others	-15,194
Net assets	142,077
Non-controlling interests*3	-92,589
Goodwill*1,4	267,311
Total	316,800

\*1As of the end of this consolidated third quarter, the identification of identifiable assets and liabilities as of the date of

acquisition and the fair value of assets acquired and liabilities assumed on the date of acquisition have not been completed, and thus the amounts are provisional based on the current best estimates. As a result, the amounts of assets acquired and liabilities assumed, and the allocation of the consideration transferred to goodwill incurred, are subject to adjustment during the first year following the date of acquisition if additional information is obtained and evaluated regarding facts and circumstances that existed at the date of acquisition.

<sup>\*2</sup>Intangible assets

Includes identifiable intangible assets of 51,368 million yen. The breakdown is customer relationships with an estimated useful life of 10 years.

In addition, the amount of intangible assets recognized from the business combination is measured based on assumptions such as estimated future cash flow, discount rate, future revenue generated by diminishing rate of existing customers, royalty rate, etc.

<sup>\*3</sup>Non-controlling interests

Non-controlling interests are measured by multiplying the identifiable net assets on the date of acquisition by noncontrolling interest ratio after the business combination.

<sup>\*4</sup>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.

(6) Gain on remeasurement relating to business combinations

In conjunction with the consolidation of PayPay Corporation, the Company's previously held equity interest in PayPay Corporation was remeasured based on the acquisition-date fair value. As a result, a gain on remeasurement relating to business combinations of 147,321 million yen was recognized in the consolidated third quarter of the fiscal year ending March 31, 2023. This gain is included in "Gain on remeasurement relating to business combinations" in the Interim Condensed Consolidated Statement of Profit or Loss.

(7) Profit and loss information after the acquisition date related to the business combination

The revenue and net loss of the acquired company after the date of such acquisition of control recognized in the Interim Condensed Consolidated Statement of Profit or Loss for the cumulative consolidated third quarter of the fiscal year ending March 31, 2023 are 33,809 million yen and 6,193 million yen, respectively.

4. Gain on Remeasurement Relating to Business Combinations

This cumulative consolidated third quarter of the fiscal year ending March 31, 2023 (April 1, 2022 - December 31, 2022)  
Due to the Z Holdings Group's consolidation of PayPay Corporation on October 1, 2022, the previously held equity interest of the company was remeasured based on the acquisition-date fair value. As a result, a gain on remeasurement relating to business combination of 147,321 million yen was recognized. In addition, due to the Z Holdings Group's consolidation of LINE MUSIC CORPORATION in the consolidated second quarter of the fiscal year ending March 31, 2023, a gain on remeasurement relating to business combination of 9,180 million yen was recognized.

5. Gain on Sale of Subsidiaries

Previous cumulative consolidated third quarter of the fiscal year ended March 31, 2022 (April 1, 2021 - December 31, 2021)  
The gain on sale of subsidiaries was attributed to the sale of all shares of YJFX, Inc. (now Gaika ex byGMO, Inc.) to GMO Financial Holdings, Inc. The transfer price was 28,729 million yen.

This cumulative consolidated third quarter of the fiscal year ending March 31, 2023 (April 1, 2022 - December 31, 2022)  
The gain on sale of subsidiaries was attributed to the sale of all shares of livedoor Co., Ltd. to MINKABU THE INFONOID, Inc.

The transfer price was 7,100 million yen.

#### 6. Gain on Change in Equity Interest

This cumulative consolidated third quarter of the fiscal year ending March 31, 2023 (April 1, 2022 - December 31, 2022)

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

#### 7. Impairment Loss on Investments in Associates and Joint Ventures

Previous cumulative consolidated third quarter of the fiscal year ended March 31, 2022 (April 1, 2021 - December 31, 2021)

An impairment loss on investments in associates and joint ventures of 18,378 million yen was recognized because the carrying amount of the investments accounted for using the equity method related to Demae-can Co., Ltd. was reduced to its recoverable amount.

This cumulative consolidated third quarter of the fiscal year ending March 31, 2023 (April 1, 2022 – December 31, 2022)

An impairment loss on investments in associates and joint ventures of 31,303 million yen was recognized because the carrying amount of the investments accounted for using the equity method related to Demae-can Co., Ltd. was reduced to its recoverable amount.

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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.