

Results for the Fiscal Year Ended March 31, 2023 [IFRSs]

April 28, 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 Ordinary Shareholder's Meeting Date: June 16, 2023

Scheduled Dividend Payment Date: June 2, 2023

Scheduled Securities Report Submission Date: June 15, 2023

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 (April 1, 2022 - March 31, 2023) (Amounts less than one million yen are omitted)

(1) Consolidated Business Performance (April 1, 2022 - March 31, 2023) (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 (%)
FY 2022	1,672,377 (6.7)	314,533 (66.0)	235,219 (48.4)	189,163 (106.4)	178,868 (131.3)	286,927 (136.5)
FY 2021	1,567,421 (30.0)	189,503 (16.9)	158,542 (11.2)	91,631 (2.8)	77,316 (10.2)	121,319 (0.1)

	Adjusted EBITDA	Adjusted EPS	Basic earnings per share	Diluted earnings per share	Profit ratio to equity attributable to owners of the parent	Profit before tax ratio to total assets	Operating margin
	Millions of yen (%)	Yen (%)	Yen	Yen	%	%	%
FY 2022	332,610 (0.3)	5.37 (-50.1)	23.87	23.80	6.4	3.0	18.8
FY 2021	331,486 (12.4)	10.77 (-41.0)	10.20	10.14	2.9	2.3	12.1

(For reference) Equity in losses of associates and joint ventures: FY2022 -38,728 million yen FY2021 -46,135 million yen

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

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent	Equity attributable to owners of the parent per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
FY 2022	8,588,722	3,317,900	2,919,399	34.0	389.43
FY 2021	7,110,386	2,982,197	2,684,377	37.8	358.25

(3) Consolidated Cash Flows Status

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash & cash equivalents at the end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2022	93,051	319,786	105,791	1,651,851
FY2021	266,314	-303,899	91,630	1,127,523

2. Dividends

(Record date)	Dividends per share					Total amount (Full year)	Payout ratio (Consolidated)	Dividend ratio to equity attributable to owners of the parent (Consolidated)
	1Q	2Q	3Q	Year end	Full year			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY 2021	—	0.00	—	5.81	5.81	43,535	57.0	1.6
FY 2022	—	0.00	—	5.56	5.56	41,869	23.3	1.5
FY 2023 (Estimates)	—	0.00	—	5.56	5.56		—	

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

3. Consolidated Performance Estimates for FY2023 (April 1, 2023 – March 31, 2024)

	Revenue		Adjusted EBITDA	
	Millions of yen	% Change YoY	Millions of yen	% Change YoY
Fiscal year ending March 31, 2024	1,900,000	13.6	356,000 - 366,000	7.0 - 10.0

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

For details, please refer to 3. Outlook for Fiscal Year Ending March 31, 2024 (April 1, 2023 – March 31, 2024) in (1) Qualitative Information Regarding the Consolidated Business Performance of 1 Analysis of Business Results and Financial Position on page 6 of the Results for the Fiscal Year (Attachments).

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries causing changes in scope of consolidation): Yes

Newly consolidated subsidiaries: 1 (PayPay Corporation)

(2) Changes in the accounting principles and accounting estimate

1) Changes due to IFRSs: None

2) Changes other than 1): None

3) Changes in accounting estimate: None

(3) Number of stocks issued (common stock)

1) Number of stocks issued (including treasury stocks)

As of March 31, 2023 7,633,501,686 shares

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

2) Number of shares of treasury stocks

As of March 31, 2023 136,820,618 shares

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

3) Average number of common stocks outstanding

As of March 31, 2023 7,494,992,237 shares

As of March 31, 2022 7,580,032,201 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 March 31, 2023: 33,773,403 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

(*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 ended 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 ended March 31, 2023 are lumped together and adjusted in the third quarter of the fiscal year ended 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 Fiscal Year are not subject to audit by certified public accountants or audit corporations.

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

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

- Supplementary materials to the earnings results are published on Z Holdings Corporation's website (<https://www.z-holdings.co.jp/en/ir.html>) on Friday, April 28, 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 Analysis of Business Results and Financial Position

(1) Qualitative Information Regarding the Consolidated Business Performance

1. Business Results Summary (April 1, 2022 – March 31, 2023)

■ Highlights

Both revenue and adjusted EBITDA marked a record high. Revenue: 1.67 trillion yen (up 6.7% year on year), due to the consolidation of PayPay Corporation, etc.; adjusted EBITDA: 332.6 billion yen (up 0.3% year on year), due to cost optimization, etc., despite negative impacts of one-time factors.

	Fiscal year ended Mar. 31, 2022 (yen)	Fiscal year ended Mar. 31, 2023 (yen)	Year-on-Year Change (yen)	Year-on-Year Change (%)
Revenue	1,567.4 billion	1,672.3 billion	+104.9 billion	+6.7%
Adjusted EBITDA	331.4 billion	332.6 billion	+1.1 billion	+0.3%

The revenue for the consolidated fiscal year ended March 31, 2023 amounted to 1,672.3 billion yen (up 6.7% year on year) resulting in the highest fiscal year 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, increases in LINE Corporation's account ads revenue and Yahoo Japan Corporation's search advertising revenue, etc.

Adjusted EBITDA amounted to 332.6 billion yen (up 0.3% year on year), a record-high, due to the abovementioned revenue growth and cost optimization mainly around the Commerce Business, despite the absence of gain on sales of YJFX, Inc. in the second quarter of the previous fiscal year, the impact of the consolidation of PayPay Corporation in October 2022 and the weakened advertising market, etc.

2. Segment Business Results Summary (April 1, 2022 – March 31, 2023)

Revenue and Adjusted EBITDA by Segment

	Fiscal year ended Mar. 31, 2022 (yen)	Fiscal year ended Mar. 31, 2023 (yen)	Year-on-Year Change (yen)	Year-on-Year Change (%)
Media Business				
Revenue	641.2 billion	642.0 billion	+0.7 billion	+0.1%
Adjusted EBITDA	260.0 billion	262.0 billion	+2.0 billion	+0.8%
Commerce Business				
Revenue	810.9 billion	836.4 billion	+25.5 billion	+3.1%
Adjusted EBITDA	131.5 billion	153.6 billion	+22.1 billion	+16.8%
Strategic Business				
Revenue	110.7 billion	192.0 billion	+81.2 billion	+73.3%
Adjusted EBITDA/loss	-11.3 billion	-43.4 billion	-32.0 billion	—
Others				
Revenue	22.4 billion	22.4 billion	-0.0 billion	-0.2%
Adjusted EBITDA	5.4 billion	0.0 billion	-5.4 billion	-98.9%
Adjustments				
Revenue	-17.9 billion	-20.5 billion	—	—
Adjusted EBITDA/loss	-54.1 billion	-39.6 billion	—	—
Total				
Revenue	1,567.4 billion	1,672.3 billion	+104.9 billion	+6.7%
Adjusted EBITDA	331.4 billion	332.6 billion	+1.1 billion	+0.3%

Note:

1 From the first quarter of the fiscal year ended 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 Consolidated Fiscal Year

Revenue of the Media Business amounted to 642.0 billion yen, increasing 0.1% year on year. Adjusted EBITDA increased 0.8% year on year, to 262.0 billion yen. The revenue of the Media Business accounted for 38.4% of total revenue.

Revenue of LINE Corporation's account ads increased 18.3% year on year due to the increased number of distribution messages from major clients of LINE Official Account and the growing number of paid accounts of small and medium-sized merchants. Revenue of display ads decreased year on year, due to the impact of weakened market conditions, in addition to impacts from the renewal of LINE VOOM, etc.

Revenue of Yahoo Japan Corporation's media business decreased due to the impact of the deconsolidation of eBook Initiative Japan Co., Ltd., impact of weakened market on display advertising, decrease in ad placements in reservation ads, etc., despite continued stable growth in search advertising.

2) Commerce Business in the Consolidated Fiscal Year

Revenue of the Commerce Business grew year on year, due to revenue increases in the ASKUL Group and ZOZO Group and favorable performance in the travel businesses, etc., following the reopening of economic activities.

E-commerce transaction value (*1) amounted to 4,114.3 billion yen, increasing 7.4% year on year, due to the stable growth of the reuse business as well as the expansion of domestic service EC mainly around the travel business. Out of the e-commerce transaction value, domestic merchandise transaction value amounted to 2,988.0 billion yen, increasing 1.2% year on year.

As a result, revenue of the Commerce Business of the consolidated fiscal year amounted to 836.4 billion yen, increasing 3.1% year on year. Adjusted EBITDA increased 16.8% year on year, to 153.6 billion yen as a result of the abovementioned revenue growth as well as the significantly improved profitability due to the change in the policy for of balancing growth with profitability and cost optimization. The revenue of the Commerce Business accounted for 50.0% 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 5.

3) Strategic Business in the Consolidated Fiscal Year

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

PayPay GMV is rapidly increasing and the consolidated GMV, including the transaction volume of PayPay Card Corporation, increased by more than 30% year on year (*2) and exceeded ten trillion yen in just four and a half years since PayPay service was launched. Furthermore, loan balance of PayPay Bank, increased steadily to 624.4 billion yen (up 49.8% year on year).

As a result, revenue of the Strategic Business of the consolidated fiscal year amounted to 192.0 billion yen, increasing 73.3% year on year. The revenue of the Strategic Business accounted for 11.5% of total revenue.

(*2) Percentage change in consolidated GMV including the transaction volume of PayPay Card Corporation.

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 (*3), 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 (*4), 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 (*5), 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 (consolidated)		PayPay (*6), PayPay Card
		PayPay Bank		—
		Other fintech		PayPay Asset Management, PayPay Insurance, Magne-Max (*7), LINE Pay, LINE Securities, LINE Score, LINE Pocket Money, LINE BITMAX, LINE NFT, etc.
	Others		AI, LINE Search, LINE Healthcare (*8), etc.	

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

(*4) LINE LIVE terminated its service as of March 31, 2023.

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

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

(*7) All shares of Magne-Max Capital Management, Ltd. were sold in the fourth quarter of the fiscal year ended March 31, 2023.

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

3. Outlook for Fiscal Year Ending March 31, 2024 (April 1, 2023 – March 31, 2024)

A Group reorganization mainly around Z Holdings Corporation and its core wholly owned subsidiaries, LINE Corporation and Yahoo Japan Corporation is scheduled on October 1, 2023 (effective date). Z Holdings Corporation positions the fiscal year ending March 31, 2024, as a year to improve the business efficiency through the said Group reorganization and to lay the foundation for renewed growth from the fiscal year ending March 31, 2025, onwards. For this, the Z Holdings Group (the "Group") will reduce fixed costs and selectively reorganize its businesses. For the fiscal year ending March 31, 2024, the Group expects a consolidated revenue of 1,900.0 billion yen (up 13.6% year on year) and adjusted EBITDA of 356.0 – 366.0 billion yen (up 7.0 – 10.0% year on year).

(2) Qualitative Information Regarding the Consolidated Financial Position

1. Assets, Liabilities, and Equity

1) Assets

Total assets at the end of the consolidated fiscal year ended March 31, 2023 amounted to 8,588,722 million yen, increasing 1,478,336 million yen, or 20.8%, from the end of the consolidated fiscal year ended March 31, 2022. 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 the consolidated fiscal year ended March 31, 2022, mainly because of the consolidation of PayPay Corporation.
- Loans for credit card business increased from the end of the consolidated fiscal year ended March 31, 2022, mainly due to the increase in the transaction volume of the credit card business.
- Loans in banking business increased compared with the end of the consolidated fiscal year ended March 31, 2022 mainly due to the increase in housing loans.
- Goodwill increased from the end of the consolidated fiscal year ended March 31, 2022, primarily due to the consolidation of PayPay Corporation.

2) Liabilities

Total liabilities at the end of the consolidated fiscal year ended March 31, 2023 were 5,270,822 million yen, increasing 1,142,633 million yen, or 27.7%, from the end of the consolidated fiscal year ended March 31, 2022. The major components of change were the following:

- Trade and other payables increased from the end of the consolidated fiscal year ended March 31, 2022, mainly due to the consolidation of PayPay Corporation.
- Interest-bearing liabilities increased from the end of the consolidated fiscal year ended March 31, 2022 chiefly due to the increase in borrowing.

3) Equity

Total equity at the end of the consolidated fiscal year ended March 31, 2023 amounted to 3,317,900 million yen, increasing 335,703 million yen, or 11.3%, from the end of the consolidated fiscal year ended March 31, 2022. The primary reason for change in equity was as follows:

- Retained earnings increased from the end of the consolidated fiscal year ended March 31, 2022 because of recognition of net income 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 the consolidated fiscal year ended March 31, 2023, cash and cash equivalents amounted to 1,651,851 million yen, up 524,327 million yen from the end of the consolidated fiscal year ended March 31, 2022, out of which deposit with the Bank of Japan for banking business was 344,767 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 93,051 million yen mainly because of recognition of profit before tax for the period under review, the increase in trade and other payables, and increase in customer deposits for banking business, despite the increase in loans in banking business, increase in loans for credit card business, and payment of income taxes.

Cash flows from investing activities amounted to a cash inflow of 319,786 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 105,791 million yen, attributed mainly to proceeds from long-term borrowings, net increase in short-term borrowings, and proceeds from issuance of corporate bonds, despite outflow from redemption of corporate bonds, repayments of long-term borrowings, payment of dividends, and repayment of lease liabilities.

(3) Basic Policy regarding Profit Distribution and Dividend Payments for Fiscal 2022 and 2023

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

Guided by the above policy, the dividend of the fiscal year ended March 31, 2023 is expected to be 5.56 yen per share (total dividend amount: 41.8 billion yen), maintaining the same amount of dividend derived by subtracting the commemorative dividend of 0.25 yen per share from last fiscal year's annual dividend of 5.81 yen per share.

The dividend for the fiscal year ending March 31, 2024, is scheduled to be 5.56 yen per share, maintaining the same total dividend amount paid.

(4) Significant Contracts

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

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

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

2. Loan agreement

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

The summary of the loan agreement is as follows.

1) Amount of borrowing

JPY150,000 million

2) Interest rate

The Japanese Bankers Association Yen TIBOR + interest rate spread

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

3) Maturity

September 30, 2025

4) Collateral

None

5) Guarantee

Yahoo Japan Corporation

6) Major obligations of the borrower

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

b Financial covenants

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

2 Management Policy

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

(1) Fundamental Business Management Policies

With its mission “UPDATE THE WORLD,” unleashing the infinite potential of all people with the power of information technology, the Group aims to realize its vision of creating a hopeful future whereby “Mankind can be free and in control.” With the development of the information technology, we are now able to acquire all kinds of knowledge and information through the Internet and to disseminate information around the world. Using the power of information technology, the Group believes that mankind will be liberated from various restrictions and that a new future will be created. The Group aims to achieve sustainable growth and increase its corporate value by constantly striving to improve its services with “users first” attitude, and by contributing to solving various issues faced by people and society.

(2) Management Performance Indicators Used for Goals

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

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

Adjusted EBITDA: This indicator was chosen as an indicator that can capture recurring profitability by excluding non-recurring and non-cash gains and losses, such as impairment losses and remeasurement gains and losses from business combinations, in addition to depreciation and amortization.

As non-financial key indicators, Yahoo Japan Corporation focuses on the number of monthly logged-in user IDs, time spent by logged-in users, etc. LINE Corporation focuses on the monthly active users (MAU), ratio of daily active users (DAU) to monthly active users (MAU), etc.

Other key indicators by business segment are as follows:

Media Business: total advertising revenue, number of LINE Official Accounts, etc.

Commerce Business: e-commerce transaction value, etc.

Strategic Business: PayPay GMV and number of PayPay payments of PayPay Corporation; credit card transaction volume of PayPay Card of PayPay Card Corporation; number of PayPay Bank Accounts of PayPay Bank Corporation, etc.

*Although adjusted EBITDA is not a financial measure as defined in IFRS, the Company has adopted this indicator in order to enhance understanding of the Group's performance and to use it as a key indicator in assessing the current performance.

Therefore, it is possible that other companies may use different calculation methods or use the indicator for different purposes from this Group.

(3) Medium- to Long-Term Business Strategies

1) Business environment

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

In addition, through the use of the Internet, the Group has seen the birth of numerous innovative and highly convenient services around the world, such as cashless payment, IoT and big data, which are becoming the new standard of living.

Moreover, the presence of foreign IT companies which have entered the Japanese market is growing year by year. Meanwhile, many startups have also been launched in Japan, and a dazzling evolution in the environment of the highly competitive Internet market is expected to continue in the future.

The businesses of the Z Holdings Group can be largely classified into Media Business, Commerce Business and Strategic Business.

The Media Business provides a variety of media services and generates revenue through advertising placed by companies and other entities. According to Dentsu Inc., total advertising expenditures in Japan was JPY7.1021 trillion for 2022 (YoY +4.4%).

Despite various domestic and international impacts, including the resurgence of COVID-19 infections, the situation in Ukraine, and soaring prices, this figure was the highest since the company began its estimates in 1947. Out of the total advertising expenditures, Internet advertising spending recorded JPY3.0912 trillion (YoY +14.3%), maintaining a continuously high growth rate against the backdrop of the digitalization of society and driving the growth of the entire advertising expenditures in Japan. Internet advertising media expenditures, which constitute approximately 80% of Internet advertising spending amounted to JPY2.4801 trillion (YoY +15.0%) due to the growths of paid search advertising and video advertising. By type, paid search advertising and display advertising accounted for approximately 70% of the total, while video advertising grew 15.4% from the year before, accounting for more than 20% of the total.

The Commerce Business provides a wide array of services, mainly around e-commerce. According to a research by the Ministry of Economy, Trade and Industry (“METI”) of Japan, the BtoC e-commerce market is around JPY20.7 trillion (YoY +7.35%) in 2021, and the EC ratio in the merchandising sector is 8.78%. Japan’s EC ratio has been rising steadily every year, with a particularly large increase in 2020 due to the stay-at-home consumption following the spread of COVID-19 infection. 2021 saw a continued increase in the size of the e-commerce market, despite a gradual recovery in opportunities to go out among consumers. This can be seen as evidence that the use of e-commerce is gaining ground among consumers, and the EC ratio in Japan is expected to rise further in the future.

The Strategic Business offers various services, mainly around fintech. According to METI, Japan’s cashless payment ratio in 2022 is steadily increasing to 36.0% (up 3.5 points YoY), but the level remains low compared to other countries in the world. METI aims to hike the ratio of cashless payment to around 40% by 2025, and further to 80% in the future, the highest level in the world. Therefore, the cashless payment market in Japan is expected to continue to grow.

2) Management strategy

The Z Holdings Group is a globally unique corporate group that covers from online to offline services in a comprehensive manner. The abundance of data collected through its extensive lineup of services provides the Group with an important competitive edge in the creation of new and unique services. The Group aims to provide optimal services for each and every user, and to provide even higher-quality user experiences through the cross-use of data received from each service. In addition, as a Group that has one of the largest data assets in Japan, both in volume and in variety, it will maximize the capabilities of its data and will aim to become an enterprise that enhances the value of the whole society.

3) Basic Policy of Major Business Segments

Media Business

The Media Business provides various media services that are indispensable to the daily lives of users. These services are used by many, and the major source of revenue for the Media Business is advertising. Based on the user-first principle, the Z Holdings Group constantly endeavors to provide needed services at the right time. The Group believes that its enhanced credibility as a media platform, will lead to an increase in the number of users over the medium- to long-term, and to an increase in advertising revenue.

By utilizing the AI technologies of NAVER Corporation and assets of LINE Corporation, the Group will realize a new marketing solution that comprehensively supports not only the “funnel for acquiring new customers” from recognition to interest, but also the “funnel for boosting customer loyalty” from purchase to CRM. Furthermore, the Group will provide solutions that commit to conversions by utilizing the accumulated data in combination with PayPay and LINE Official Accounts, etc. As a result, the Group will realize a 1:1 marketing that provides the best suited proposal for each user and will aim to increase the use frequency.

The Group also regards its entry into the offline world as a new chance for its business and is promoting initiatives to also make users’ lives in the offline world even more convenient. Using the offline payment data acquired through PayPay, the Group will comprehensively visualize user actions from “encounter with information” to “purchase” which will give it a foothold to increase its market share in the sales promotion market.

Commerce Business

The Group’s Commerce Business provides e-commerce-related services and membership services, etc. The Z Holdings Group will aim for a sustainable growth in earnings by connecting the three action points, LINE, Yahoo! JAPAN and PayPay, which each have one of the largest user bases in Japan. Through this connection, the Group will promote the cross-use of services within the Group and expand the Group’s ecosystem. To promote cross-use, the Group is integrating the loyalty programs provided by each service and facilitating the cross-selling between Yahoo! JAPAN Shopping and LINE Official Account. By

enhancing the loyalty programs towards the users of LINE and PayPay, the Group aims to increase the members and the transaction value of PayPay Card and PayPay and to expand the e-commerce transaction value.

As a medium- to long-term measure, the Group will deploy social commerce utilizing LINE's communication function, as well as Quick Commerce that enables customers to receive products in as little as 15 minutes.

Strategic Business

The Strategic Business offers various services, mainly around fintech. Beginning with PayPay, a cashless payment service that accounts for more than 60% of the QR code payment market in Japan, the Z Holdings Group will expand various financial services such as credit cards, banking, securities, and insurance.

In addition, the Group will actively develop new products and services in areas where further market expansion is expected, such as NFT (Non-Fungible Token), AI, and healthcare. In investing in these new businesses, the Group will make flexible decisions on the content and scale of investments considering the business environment and market conditions and make decisions on whether to continue or withdraw from the business within three to five years after a service is launched.

(4) Major Business Issues

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

In March 2021, the Company established the "Special Advisory Committee on Global Data Governance," a special committee consisting of external experts to review and evaluate, from security and governance perspectives, the handling of personal information from outside of Japan, of the users in Japan of LINE Corporation, the Company's subsidiary.

In October 2021, the said Committee compiled a "Final Report by the Special Advisory Committee on Global Data Governance." In response to the recommendations presented in the report, the Company has promoted efforts to improve data governance across the entire Z Holdings Group. The initiatives undertaken have been verified by an external law firm and a follow-up report compiled in December 2022. The Company will continue to promote initiatives to improve the data governance of the entire Group. In order to fulfill its social responsibility as a digital platform operator, the Company will continue to consider with sincerity, the opinions and suggestions of customers, experts, and regulatory authorities, and make continuous improvements to enhance transparency and create an environment where customers can use the Group's services with peace of mind.

In addition, the Group is committed to thorough risk management in terms of facilities and operations in the event of unexpected accidents or natural disasters. In today's society, the Internet is an indispensable infrastructure for daily life and business, and the Company believes that the public responsibility that the Group bears in this context is increasing every year. Furthermore, the Group regards corporate governance as an indispensable function for the expansion of corporate value over the medium to long term. The Group strives to strengthen its governance system so that management can be carried out in the best interests of all shareholders, including minority shareholders. Additionally, the Group is further strengthening its efforts to fulfill its corporate social responsibility and to establish and operate an internal control system to address risks in corporate management.

Maximizing the performance of its human capital, the source for creating the Group's value, is also one of the important issues. For this, the Group continues to create systems and frameworks that will raise employees' awareness towards work and work quality.

The Z Holdings Group believes that maintaining good physical and mental conditions of those working in the Group is directly linked to their optimal work performance and that this leads to the happiness of the employees and their families. Guided by these beliefs, Chairperson and Representative Director, Kentaro Kawabe, proclaimed the Good Condition Declaration.

As a result of these initiatives, in March 2023, Z Holdings Corporation and its subsidiary, Yahoo Japan Corporation were certified in the large enterprise category (White 500) of the 2023 Certified Health and Productivity Management Organization Recognition Program by Japan's Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi. In particular, Yahoo Japan Corporation has been certified in this program for seven years in a row since 2017. The Group will continue to create a work environment where all employees can work in their best physical and mental conditions.

3 Basic Stance on Selecting Accounting Standards

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

4 Consolidated Financial Statements and Significant Notes

(1) Consolidated Statement of Financial Position

(Millions of yen)

	As of Mar. 31, 2022	As of Mar. 31, 2023	Increase/decrease	
	Amount	Amount	Amount	Change (%)
Assets				
Cash and cash equivalents	1,127,523	1,651,851	524,327	46.5
Call loans in banking business	80,000	98,000	18,000	22.5
Trade and other receivables	368,618	623,300	254,681	69.1
Inventories	26,671	31,690	5,018	18.8
Loans in credit card business	475,528	593,058	117,530	24.7
Investment securities in banking business	464,145	414,719	-49,425	-10.6
Loans in banking business	414,620	620,383	205,763	49.6
Other financial assets	511,487	447,841	-63,645	-12.4
Property and equipment	164,783	213,839	49,056	29.8
Right-of-use assets	162,763	221,221	58,458	35.9
Goodwill	1,788,481	2,074,779	286,297	16.0
Intangible assets	1,216,379	1,267,738	51,358	4.2
Investments accounted for using the equity method	203,398	191,048	-12,350	-6.1
Deferred tax assets	37,176	44,477	7,300	19.6
Other assets	68,806	94,772	25,965	37.7
Total assets	7,110,386	8,588,722	1,478,336	20.8

(Millions of yen)

	As of Mar. 31, 2022	As of Mar. 31, 2023	Increase/decrease	
	Amount	Amount	Amount	Change (%)
Liabilities and equity				
Liabilities				
Trade and other payables	524,989	1,351,794	826,804	157.5
Customer deposits in banking business	1,431,175	1,495,629	64,454	4.5
Interest-bearing liabilities	1,666,503	1,913,799	247,295	14.8
Other financial liabilities	8,528	14,729	6,200	72.7
Income taxes payable	43,186	31,616	-11,570	-26.8
Provisions	28,619	23,136	-5,482	-19.2
Deferred tax liabilities	262,539	240,772	-21,767	-8.3
Other liabilities	162,645	199,345	36,699	22.6
Total liabilities	4,128,188	5,270,822	1,142,633	27.7
Equity				
Equity attributable to owners of the parent				
Common stock	237,980	247,094	9,114	3.8
Capital surplus	2,037,384	2,046,696	9,311	0.5
Retained earnings	401,322	647,347	246,024	61.3
Treasury stock	-54,086	-70,436	-16,349	—
Accumulated other comprehensive income	61,776	48,697	-13,078	-21.2
Total equity attributable to owners of the parent	2,684,377	2,919,399	235,021	8.8
Non-controlling interests	297,819	398,501	100,681	33.8
Total equity	2,982,197	3,317,900	335,703	11.3
Total liabilities and equity	7,110,386	8,588,722	1,478,336	20.8

(2) Consolidated Statement of Profit or Loss

(Millions of yen)

	Fiscal year ended Mar. 31, 2022	Fiscal year ended Mar. 31, 2023	Increase/decrease	
	Amount	Amount	Amount	Change (%)
Revenue	1,567,421	1,672,377	104,955	6.7
Cost of sales	497,021	511,131	14,109	2.8
Selling, general and administrative expenses	895,919	1,007,606	111,687	12.5
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	189,503	314,533	125,029	66.0
Other non-operating income	36,618	10,609	-26,008	-71.0
Other non-operating expenses	11,976	25,235	13,259	110.7
Gain on change in equity interest	8,911	5,343	-3,568	-40.0
Equity in losses of associates and joint ventures	-46,135	-38,728	7,407	—
Impairment loss on investments in associates and joint ventures	18,378	31,303	12,925	70.3
Profit before tax	158,542	235,219	76,676	48.4
Income tax expense	66,911	46,055	-20,855	-31.2
Profit for the period	91,631	189,163	97,532	106.4
Attributable to:				
Owners of the parent	77,316	178,868	101,551	131.3
Non-controlling interests	14,314	10,295	-4,019	-28.1
Profit for the period	91,631	189,163	97,532	106.4
Earnings per share attributable to owners of the parent				
Basic (yen)	10.20	23.87	13.66	134.0
Diluted (yen)	10.14	23.80	13.65	134.6

(3) Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended Mar. 31, 2022	Fiscal year ended Mar. 31, 2023
Profit for the period	91,631	189,163
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	-463	3,190
Equity financial assets measured at FVTOCI	15,505	80,563
Share of other comprehensive income of associates	85	801
Subtotal	15,128	84,556
Items that may be reclassified subsequently to profit or loss		
Debt financial assets measured at FVTOCI	-392	-598
Exchange differences on translating foreign operations	14,952	13,806
Subtotal	14,559	13,207
Other comprehensive income, net of tax	29,687	97,763
Total comprehensive income	121,319	286,927
Total comprehensive income attributable to:		
Owners of the parent	107,037	276,542
Non-controlling interests	14,281	10,384
Total comprehensive income	121,319	286,927

(4) Consolidated Statement of Changes in Equity

Fiscal year ended March 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, 2021	237,724	2,063,881	362,999	-17,385	35,098	2,682,318	307,279	2,989,597
Profit for the period			77,316			77,316	14,314	91,631
Other comprehensive income, net of tax					29,721	29,721	-33	29,687
Total comprehensive income for the period	—	—	77,316	—	29,721	107,037	14,281	121,319
Transactions with owners and other transactions								
Issue of common stock	255	255				511		511
Payment of dividends			-42,228			-42,228	-10,267	-52,495
Transfer of accumulated other comprehensive income to retained earnings			3,043		-3,043	—		—
Purchase of treasury stock				-68,289		-68,289		-68,289
Cancellation of treasury stock		-31,587		31,587		—		—
Changes attributable to obtaining or losing control of subsidiaries						—	-3,744	-3,744
Changes in ownership interests in subsidiaries without losing control		-7,942				-7,942	-9,143	-17,085
Share-based payment transactions		12,202				12,202		12,202
Others		574	192			767	-585	181
Total	255	-26,496	-38,992	-36,701	-3,043	-104,978	-23,740	-128,719
Balance at March 31, 2022	237,980	2,037,384	401,322	-54,086	61,776	2,684,377	297,819	2,982,197

Fiscal year ended March 31, 2023

(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			178,868			178,868	10,295	189,163
Other comprehensive income, net of tax					97,674	97,674	88	97,763
Total comprehensive income for the period	—	—	178,868	—	97,674	276,542	10,384	286,927
Transactions with owners and other transactions								
Issue of common stock	9,114	9,246				18,360		18,360
Payment of dividends			-43,535			-43,535	-12,263	-55,799
Transfer of accumulated other comprehensive income to retained earnings			110,753		-110,753	—		—
Purchase of treasury stock				-16,405		-16,405		-16,405
Changes attributable to obtaining or losing control of subsidiaries		-11,519				-11,519	94,933	83,413
Changes in ownership interests in subsidiaries without losing control		-733				-733	7,294	6,561
Share-based payment transactions		13,184				13,184		13,184
Others		-866	-62	56		-872	333	-538
Total	9,114	9,311	67,156	-16,349	-110,753	-41,521	90,297	48,776
Balance at March 31, 2023	247,094	2,046,696	647,347	-70,436	48,697	2,919,399	398,501	3,317,900

(5) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended Mar. 31, 2022	Fiscal year ended Mar. 31, 2023
	Amount	Amount
Cash flows from operating activities:		
Profit before tax	158,542	235,219
Depreciation and amortization	135,744	148,776
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	-8,911	-5,343
Equity in losses of associates and joint ventures	46,135	38,728
Impairment loss on investments in associates and joint ventures	18,378	31,303
Increase in call loans in banking business	-15,000	-18,000
Decrease in trade and other receivables	10,267	7,689
Increase in trade and other payables	21,743	191,988
Increase in loans for credit card business	-67,573	-117,530
Increase in loans in banking business	-167,572	-205,763
Increase in customer deposits in banking business	244,969	64,454
Others	3,504	-44
Subtotal	365,205	210,583
Interest and dividends received	2,394	2,819
Interest paid	-12,517	-10,787
Income taxes—paid	-88,768	-109,564
Net cash generated by operating activities	266,314	93,051
Cash flows from investing activities:		
Purchase of investment securities in banking business	-201,031	-188,222
Proceeds from sales/redemption of investment securities in banking business	251,663	234,870
Purchase of other investments	-120,276	-53,561
Purchase of property and equipment	-51,772	-92,842
Purchase of intangible assets	-220,861	-56,144
Proceeds from acquisition of control over subsidiaries	84	397,291
Others	38,295	78,395
Net cash generated by (used in) investing activities	-303,899	319,786
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	-13,761	90,961
Proceeds from long-term borrowings	213,702	213,477
Repayments of long-term borrowings	-140,458	-71,455
Proceeds from issuance of new shares	46	16,855
Purchase of treasury stock	-68,289	-16,861
Proceeds from issuance of corporate bonds	100,000	60,000
Redemption of corporate bonds	-40,000	-85,000
Proceeds from issuance of commercial papers	645,500	620,000
Redemption of commercial papers	-496,500	-647,000
Dividends paid	-42,230	-43,554
Dividends paid to non-controlling interests	-10,263	-12,257
Repayment of lease liabilities	-38,312	-33,928
Others	-17,804	14,555
Net cash generated by financing activities	91,630	105,791
Effects of exchange rate changes on cash and cash equivalents	7,750	5,698
Net increase in cash and cash equivalents	61,796	524,327
Cash and cash equivalents at the beginning of the period	1,065,726	1,127,523

	Fiscal year ended Mar. 31, 2022	Fiscal year ended Mar. 31, 2023
Cash and cash equivalents at the end of the period	1,127,523	1,651,851

(6) Going Concern Assumption

Not applicable.

(7) Notes to Consolidated Financial Statements

1. Significant Accounting Policies

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

2. Use of Estimates and Judgments

In preparing the consolidated financial statements under IFRS, the management is required to make judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenue, and expenses. Actual results may differ from those projected estimates.

The estimates and underlying assumptions are continuously reviewed. Revisions to accounting estimates are recognized in the period in which the estimate is revised as well as in future periods.

The judgments, estimates and assumptions that have significant impact on the amounts in the consolidated financial statements of the Z Holdings Group are consistent with those described in the consolidated financial statements for the previous consolidated fiscal year.

3. Business Combinations

This consolidated fiscal year (April 1, 2022 - March 31, 2023)

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 56.64 million registered users and 4.10 million registered locations (Note) in four years and six 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 March 31, 2023 (Total number of locations registered with "PayPay")

(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	794,059
Cash and cash equivalents	397,291
Trade and other receivables	267,585
Intangible assets ^{*2}	60,774
Others	68,407
Liabilities	-651,981
Trade and other payables	-621,058
Deferred tax liabilities	-15,728
Others	-15,194
Net assets	142,077
Non-controlling interests ^{*3}	-92,589
Goodwill ^{*4}	267,311
Total	316,800

^{*1}Revision to the provisional figure

The consideration paid are based on the fair value as of the date of acquisition, and is allocated to the amounts of assets acquired and liabilities assumed. The allocation of the consideration paid was completed in the fiscal year ended March 31, 2023. There were no material changes between the original provisional amounts and the final amounts for the respective sums of assets acquired and liabilities assumed.

^{*2}Intangible assets

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

^{*3}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.

^{*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.

(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 fiscal year ended March 31, 2023. This gain is included in "Gain on remeasurement relating to business combinations" in the 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 Consolidated Statement of Profit or Loss for the consolidated fiscal year ended March 31, 2023 are 66,232 million yen and 15,971 million yen, respectively.

4. Segment Information

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

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

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

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

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

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

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

The Z Holdings Group has transferred part of its services and subsidiaries between segments since April 1, 2022, in order to focus on efficient provision of services and respond quickly to market changes.

Major changes are: Yahoo Japan Corporation's financial service which had formerly been recorded in Strategic Business has been transferred to Media Business; and LINE Corporation's services that had been recorded in Adjustments have been transferred to each business segment.

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

The Group's segment information is as follows:

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

(Millions of yen)

	Reporting segment				Others	Adjustment figures	Consolidated figures
	Media Business	Commerce Business	Strategic Business	Total			
Revenue							
Sales to customers	634,460	809,130	108,991	1,552,582	14,839	—	1,567,421
Intersegment sales	6,741	1,790	1,806	10,338	7,632	-17,971	—
Total	641,202	810,920	110,797	1,562,920	22,471	-17,971	1,567,421
Segment income/loss (*2)	243,940	79,233	-20,972	302,200	1,327	-114,025	189,503
Other non-operating income							36,618
Other non-operating expenses							11,976
Gain on change in equity interest							8,911
Equity in losses of associates and joint ventures							-46,135
Impairment loss on investments in associates and joint ventures							18,378
Profit before tax							158,542
Others							
Depreciation and amortization (*1)	22,736	51,153	11,275	85,165	4,099	46,479	135,744

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

*2 Segment income of the Strategic Business includes gain on sale of shares of subsidiaries of 15,022 million yen (Please refer to 6. Gain on Sale of Shares of Subsidiaries).

Current Consolidated Fiscal Year (April 1, 2022 – March 31, 2023)

(Millions of yen)

	Reporting segment				Others	Adjustment figures	Consolidated figures
	Media Business	Commerce Business	Strategic Business	Total			
Revenue							
Sales to customers	633,914	834,618	189,222	1,657,754	14,622	—	1,672,377
Intersegment sales	8,087	1,835	2,804	12,726	7,794	-20,521	—
Total	642,001	836,453	192,026	1,670,481	22,417	-20,521	1,672,377
Segment income/loss (*2,3,4)	247,407	94,136	88,706	430,250	-5,922	-109,793	314,533
Other non-operating income							10,609
Other non-operating expenses							25,235
Gain on change in equity interest							5,343
Equity in losses of associates and joint ventures							-38,728
Impairment loss on investments in associates and joint ventures							31,303
Profit before tax							235,219
Others							
Depreciation and amortization (*1)	22,953	52,050	17,656	92,660	5,163	50,952	148,776

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

*2 Segment income of the Media Business includes gain on remeasurement relating to business combinations of 9,180 million yen (Please refer to 5. Gain on Remeasurement Relating to Business Combinations).

*3 Segment income of the Strategic Business includes gain on remeasurement relating to business combinations of 147,321 million yen (Please refer to 5. Gain on Remeasurement Relating to Business Combinations).

*4 Segment income of the Media Business includes gain on sale of shares of subsidiaries of 4,392 million yen (Please refer to 6. Gain on Sale of Shares of Subsidiaries).

5. Gain on Remeasurement Relating to Business Combinations

This consolidated fiscal year ended March 31, 2023 (April 1, 2022 - March 31, 2023)

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 on September 29, 2022, a gain on remeasurement relating to business combination of 9,180 million yen was recognized.

6. Gain on Sale of Subsidiaries

Previous consolidated fiscal year ended March 31, 2022 (April 1, 2021 - March 31, 2022)

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 consolidated fiscal year ended March 31, 2023 (April 1, 2022 - March 31, 2023)

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.

7. Gain on Change in Equity Interest

This consolidated fiscal year ended March 31, 2023 (April 1, 2022 - March 31, 2023)

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

8. Impairment Loss on Investments in Associates and Joint Ventures

Previous consolidated fiscal year ended March 31, 2022 (April 1, 2021 - March 31, 2022)

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. The Company determined that there were indications of impairment of investments accounted for under the equity method related to Demae-can Co., Ltd., and performed an impairment test. As a result, the carrying amount of the investments accounted for using the equity method with regard to Demae-can Co., Ltd., was reduced to the recoverable amount. The recoverable amount is measured by value in use, which is calculated by applying a pre-tax discount rate of 14.1% to estimated future cash flow.

This consolidated fiscal year ended March 31, 2023 (April 1, 2022 - March 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. The Company determined that there were indications of impairment of investments accounted for under the equity method related to Demae-can Co., Ltd., and performed an impairment test. As a result, the carrying amount of the investments accounted for using the equity method with regard to Demae-can Co., Ltd., was reduced to the recoverable amount. The recoverable amount is measured by value in use, which is calculated by applying a pre-tax discount rate of 12.0% to estimated future cash flow.

9. Per Share Information

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

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
	Amount	Amount
Basic earnings per share (yen)	10.20	23.87
Profit for the year attributable to owners of the parent (million yen)	77,316	178,868
Profit for the year not attributable to owners of the parent (million yen)	—	—
Profit for the year used in the calculation of basic earnings per share (million yen)	77,316	178,868
Weighted-average number of common stock (1,000 shares)	7,580,032	7,494,992
Diluted earnings per share (yen)	10.14	23.80
Adjustments on profit for the year (million yen)	—	—
Increase in the number of common stock (1,000 shares)	42,814	21,513
Potential common stock that are anti-dilutive and therefore excluded from the calculation of diluted earnings per share	—	LINE 28th Stock Options Z Holdings Corporation Fiscal 2022 1st Stock Options

(Note) In calculating the basic earnings per share and the diluted earnings per share, shares of the Company held by the Stock Delivery Trust (J-ESOP), the Board Incentive Plan Trust, and the Stock Delivery ESOP Trust are processed as treasury stocks. Thus, the said number of shares are deducted from the number of shares at the end of the period and the weighted average number of shares.

10. Significant Subsequent Events

Not applicable.

Unless otherwise specified, English-language documents are prepared solely for the convenience of non-Japanese speakers. If there is any inconsistency between the English-language documents and the Japanese-language documents, the Japanese-language documents will prevail.