

Results for the Three Months Ended June 30, 2023 (FY2023-1Q) [IFRSs]

August 3, 2023

Company Name: Z Holdings Corporation Share Listings: Prime Market of TSE
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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 FY2023-1Q (April 1, 2023 - June 30, 2023) (Amounts less than one million yen are omitted)

(1) Consolidated Business Performance (April 1, 2023 - June 30, 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
Three-month period ended June 30, 2023	Millions of yen (%) 430,523 (10.2)	Millions of yen (%) 59,397 (19.5)	Millions of yen (%) 73,198 (61.9)	Millions of yen (%) 40,500 (35.6)	Millions of yen (%) 37,316 (47.9)	Millions of yen (%) 62,503 (25.5)
Three-month period ended June 30, 2022	390,565 (4.6)	49,721 (-3.2)	45,221 (-12.7)	29,868 (-3.4)	25,232 (-5.2)	49,822 (25.1)

	Adjusted EBITDA	Adjusted EPS	Basic earnings per share	Diluted earnings per share
	Millions of yen (%)	Yen (%)	Yen	Yen
Three-month period ended June 30, 2023	99,993 (15.6)	4.81 (34.9)	4.98	4.96
Three-month period ended June 30, 2022	86,520 (0.2)	3.57 (0.2)	3.37	3.36

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent
	Millions of yen	Millions of yen	Millions of yen	%
As of June 30, 2023	8,450,123	3,338,336	2,942,816	34.8
As of March 31, 2023	8,588,722	3,317,900	2,919,399	34.0

2. Dividends

(Record date)	Dividends per share				
	1Q	2Q	3Q	Year end	Full year
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	—	0.00	—	5.56	5.56
Fiscal year ending March 31, 2024	—				
Fiscal year ending March 31, 2024 (Estimates)		0.00	—	5.56	5.56

(Note) Revision in dividends previously announced: None

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) Revision in performance estimates previously announced: None

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 on page 5 of the Results for the Three Months (Attachments).

* Notes

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

(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 June 30, 2023 7,633,614,486 shares

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

2) Number of shares of treasury stocks

As of June 30, 2023 136,538,740 shares

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

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

As of June 30, 2023 7,496,752,677 shares

As of June 30, 2022 7,493,130,221 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; as of June 30, 2023: 33,463,924 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 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 Three Months are not subject to the quarterly review by certified public accountants or audit corporations.

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

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

- 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, August 3, 2023.

○ Table of contents of attachments

1	Qualitative Information Regarding the Consolidated Operating Results	2
	(1) Qualitative Information Regarding the Consolidated Business Performance	2
	(2) Qualitative Information Regarding the Consolidated Financial Position	6
	(3) Significant Contracts	7
	(4) Risk Factors	7
2	Interim Condensed Consolidated Financial Statements and Significant Notes	8
	(1) Interim Condensed Consolidated Statement of Financial Position	8
	(2) Interim Condensed Consolidated Statement of Profit or Loss	10
	(3) Interim Condensed Consolidated Statement of Comprehensive Income	11
	(4) Interim Condensed Consolidated Statement of Changes in Equity	12
	(5) Interim Condensed Consolidated Statement of Cash Flows	14
	(6) Notes to Interim Condensed Consolidated Financial Statements	15

1 Qualitative Information Regarding the Consolidated Operating Results

(1) Qualitative Information Regarding the Consolidated Business Performance

1. Business Results Summary (April 1, 2023 – June 30, 2023)

■ Highlights
 Revenue of 430.5 billion yen (up 10.2% year on year); Adjusted EBITDA of 99.9 billion yen (up 15.6% year on year); both achieving record highs for the cumulative consolidated first quarter.

	Three months ended June 30, 2022 (yen)	Three months ended June 30, 2023 (yen)	Year-on-Year Change (yen)	Year-on-Year Change (%)
Revenue	390.5 billion	430.5 billion	+39.9 billion	+10.2%
Adjusted EBITDA	86.5 billion	99.9 billion	+13.4 billion	+15.6%

The revenue for the cumulative consolidated first quarter of the fiscal year ending March 31, 2024, amounted to 430.5 billion yen (up 10.2% year on year), resulting in the highest first quarter revenue. This was due to the revenue increase in the Strategic Business accompanying the consolidation of PayPay Corporation in October 2022, and other factors.

Adjusted EBITDA for the cumulative consolidated first quarter of the fiscal year ending March 31, 2024, increased 15.6% year on year, to 99.9 billion yen, resulting in the highest first quarter result, due to cost optimization mainly in the Commerce Business and selective focus on key businesses.

2. Segment Business Results Summary (April 1, 2023 – June 30, 2023)

Revenue and Adjusted EBITDA by Segment

	Three months ended June 30, 2022 (yen)	Three months ended June 30, 2023 (yen)	Year-on-Year Change (yen)	Year-on-Year Change (%)
Media Business				
Revenue	155.5 billion	158.8 billion	+3.3 billion	+2.1%
Adjusted EBITDA	63.7 billion	62.0 billion	-1.6 billion	-2.7%
Commerce Business				
Revenue	205.6 billion	206.8 billion	+1.2 billion	+0.6%
Adjusted EBITDA	37.4 billion	46.5 billion	+9.0 billion	+24.2%
Strategic Business				
Revenue	30.3 billion	65.4 billion	+35.1 billion	+115.9%
Adjusted EBITDA/loss	-8.0 billion	-2.7 billion	+5.2 billion	—
Others				
Revenue	3.0 billion	3.2 billion	+0.1 billion	+5.2%
Adjusted EBITDA	0.1 billion	2.5 billion	+2.3 billion	—
Adjustments				
Revenue	-3.9 billion	-3.8 billion	—	—
Adjusted EBITDA/loss	-6.8 billion	-8.3 billion	—	—
Total				
Revenue	390.5 billion	430.5 billion	+39.9 billion	+10.2%
Adjusted EBITDA	86.5 billion	99.9 billion	+13.4 billion	+15.6%

Note:

1 From the first quarter of the fiscal year ending March 31, 2024, the Z Holdings Group has transferred part of its services and subsidiaries between segments in order to give importance to effective service offering and promptly respond to changes in the market. Major changes include the transfer of Yahoo Japan Corporation's data solution service and the service of dely, Inc., a subsidiary of the Group, from Others to Media Business. In addition, part of the expenses related to LINE Corporation and its subsidiaries which were allocated in Others and Adjustments, have been reallocated to Media Business, Commerce Business and Strategic Business. Accordingly, the segment information of the same period last year has been retroactively revised.

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

1) Media Business in the Cumulative Consolidated First Quarter

Revenue of the Media Business for the cumulative consolidated first quarter amounted to 158.8 billion yen, increasing 2.1% year on year. Adjusted EBITDA decreased 2.7% year on year, to 62.0 billion yen. The revenue of the Media Business accounted for 36.9% of total revenue. This was due to the consolidation of LINE MUSIC CORPORATION in September 2022 and increase in the revenues of account ads and search ads, despite the impact from the decreased revenue in display ads and the transfer of livedoor business in December 2022.

- Account ads: Revenue increased 18.8% year on year due to the increase in the paid accounts of LINE Official Account, which was positively impacted by the revision of the fee plan conducted in June 2023.
- Search ads: Revenue increased 5.2% year on year, showing a continued steady performance.
- Display ads: Decrease in the ad placements of reservation-type ads, as well as market impact resulted in a year-on-year decrease in revenue.

2) Commerce Business in the Cumulative Consolidated First Quarter

Despite the impact from the business cost optimizations, revenue of the Commerce Business resulted at the same level as that of the same period last fiscal year, due to the revenue increases in the ASKUL Group and ZOZO Group, and the continued favorable growth in the travel business.

E-commerce transaction value (*1) amounted to 982.5 billion yen, decreasing 0.7% year on year, affected by the business cost optimization and other factors. Out of the e-commerce transaction value, domestic merchandise transaction value amounted to 717.7 billion yen, decreasing 1.9% year on year.

As a result, revenue for the Commerce Business of the cumulative consolidated first quarter amounted to 206.8 billion yen, increasing 0.6% year on year. Adjusted EBITDA increased 24.2% year on year, to 46.5 billion yen, due to the improved profitability accompanying the business cost optimization, etc. The revenue of the Commerce Business accounted for 48.0% 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 4.

3) Strategic Business in the Cumulative Consolidated First Quarter

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

PayPay consolidated GMV including GMV of PayPay Corporation and transaction volume of PayPay Card Corporation, amounted to 3.0 trillion yen (*2) (up 31.4% year on year (*3)), showing a steady increase. Furthermore, the loan balance of PayPay Bank Corporation was 613.2 billion yen (up 26.2% year on year).

As a result, revenue of the Strategic Business for the cumulative consolidated first quarter amounted to 65.4 billion yen, increasing 115.9% year on year. In addition, adjusted EBITDA of PayPay (consolidated) including PayPay Corporation and PayPay Card Corporation has turned profitable and the level of losses in adjusted EBITDA of the Strategic Business has decreased compared to the same period last fiscal year. The revenue of the Strategic Business accounted for 15.2% of total revenue.

(*2) Figures are rounded down to the nearest billion yen and rounded off to the nearest JPY100 billion.

(*3) 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 Sales Promotion, LINE Flyer, etc.
		Other ads		LINE Part Time Jobs, etc.
	Yahoo Japan Advertising	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 MUSIC, LINE Manga, etc.
Yahoo Japan		ebookjapan, Real estate-related services, Yahoo! JAPAN Loco, etc.		
Commerce Business	Merchandise EC	Shopping business		Yahoo! JAPAN Shopping, ZOZOTOWN, LOHACO, Charm, LINE SHOPPING, LINE FRIENDS, LINE GIFT, MySmartStore, Yahoo! JAPAN Mart by ASKUL, LIVEBUY, LINE SHOPPING (Taiwan, Thailand), GIFTSHOP, EZ STORE, QUICK EC, MyShop
		Reuse business		YAHUOKU!, PayPay Flea Market, ZOZOUSED
		ASKUL online BtoB business		ASKUL, SOLOEL ARENA, APMRO, FEED DENTAL, 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, PayPay Card
		PayPay Bank		—
		Other fintech		PayPay Asset Management, PayPay Insurance, LINE Pay, LINE Score, LINE Pocket Money, LINE BITMAX, LINE NFT, etc.
	Others		AI, LINE Search, etc.	

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 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 this consolidated first quarter amounted to 8,450,123 million yen, decreasing 138,599 million yen, or 1.6%, from the end of the consolidated fiscal year ended March 31, 2023.

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.
- Investments accounted for using the equity method increased compared with the end of the consolidated fiscal year ended March 31, 2023, mainly due to purchase of other investments.

2) Liabilities

Total liabilities at the end of this consolidated first quarter were 5,111,787 million yen, decreasing 159,034 million yen, or 3.0%, from the end of the consolidated fiscal year ended March 31, 2023.

The major components of change were the following:

- Trade and other payables decreased from the end of the consolidated fiscal year ended March 31, 2023, chiefly due to the decrease in accounts payable to merchants and the impact of changing LINE Securities Corporation from a consolidated subsidiary to an equity-method affiliate.
- Interest-bearing liabilities decreased from the end of the consolidated fiscal year ended March 31, 2023, chiefly due to the decrease due to redemption of corporate bonds and decrease due to redemption of commercial papers.

3) Equity

Total equity at the end of this consolidated first quarter amounted to 3,338,336 million yen, increasing 20,435 million yen, or 0.6%, from the end of the consolidated fiscal year ended March 31, 2023.

The primary reasons for change in equity were as follows:

- Capital surplus increased from the end of the consolidated fiscal year ended March 31, 2023 primarily due to the increases in the share-based payment transactions and changes in ownership interests in subsidiaries without losing control.
- Accumulated other comprehensive income increased from the end of the consolidated fiscal year ended March 31, 2023, mainly due to an increase in exchange differences on translating foreign operations resulting from the weaker yen.

2. Cash Flows

At the end of this consolidated first quarter, cash and cash equivalents amounted to 1,415,683 million yen, down 236,167 million yen from the end of the consolidated fiscal year ended March 31, 2023, out of which deposit with the Bank of Japan for banking business was 305,813 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 32,240 million yen mainly because of the recognition of profit before tax for the period under review, increase in customer deposits in banking business and decrease in trade and other receivables, despite the decrease in trade and other payables, increase in call loans in banking business, increase in loans in credit card business, and payment of income taxes.

Cash flows from investing activities amounted to a cash outflow of 121,577 million yen, chiefly due to the acquisitions of investment securities in banking business, payments for loans receivables, purchase of other investments, and purchase of property and equipment, despite proceeds from sales/redemption of investment securities in banking business and collection of loans receivable.

Cash flows from financing activities amounted to a cash outflow of 153,471 million yen, attributed mainly to redemption of corporate bonds, payment of dividends, and decrease in short-term borrowings, despite proceeds from long-term borrowings.

(3) Significant Contracts

There were no significant contracts, etc., that were concluded or revised in the consolidated first quarter of the fiscal year ending March 31, 2024.

(4) Risk Factors

During this cumulative consolidated first quarter, among the matters related to the status of business and the status of accounting that were included in the annual securities report for the previous fiscal year, there were no occurrences of major risk factors that the management recognizes as having the potential to significantly affect the financial position, operating results, and cash flows of the Group, and there are no significant changes to the "Risk Factors" stated (in Japanese only) in the annual securities report for the previous fiscal year.

2 Interim Condensed Consolidated Financial Statements and Significant Notes

(1) Interim Condensed Consolidated Statement of Financial Position

(Millions of yen)

	As of Mar. 31, 2023	As of June 30, 2023	Increase/decrease	
	Amount	Amount	Amount	Change (%)
Assets				
Cash and cash equivalents	1,651,851	1,415,683	-236,167	-14.3
Call loans in banking business	98,000	132,000	34,000	34.7
Trade and other receivables	623,300	571,252	-52,047	-8.4
Inventories	31,690	32,908	1,218	3.8
Loans in credit card business	593,058	625,826	32,768	5.5
Investment securities in banking business	414,719	459,354	44,634	10.8
Loans in banking business	620,383	609,091	-11,292	-1.8
Other financial assets	447,841	430,912	-16,928	-3.8
Property and equipment	213,839	221,356	7,516	3.5
Right-of-use assets	221,221	223,023	1,801	0.8
Goodwill	2,074,779	2,070,311	-4,467	-0.2
Intangible assets	1,267,738	1,271,474	3,735	0.3
Investments accounted for using the equity method	191,048	253,888	62,840	32.9
Deferred tax assets	44,477	44,142	-334	-0.8
Other assets	94,772	88,895	-5,877	-6.2
Total assets	8,588,722	8,450,123	-138,599	-1.6

(Millions of yen)

	As of Mar. 31, 2023	As of June 30, 2023	Increase/decrease	
	Amount	Amount	Amount	Change (%)
Liabilities and equity				
Liabilities				
Trade and other payables	1,351,794	1,258,023	-93,770	-6.9
Customer deposits in banking business	1,495,629	1,558,389	62,759	4.2
Interest-bearing liabilities	1,913,799	1,808,665	-105,133	-5.5
Other financial liabilities	14,729	10,665	-4,063	-27.6
Income taxes payable	31,616	22,347	-9,268	-29.3
Provisions	23,136	21,753	-1,382	-6.0
Deferred tax liabilities	240,772	258,192	17,420	7.2
Other liabilities	199,345	173,747	-25,597	-12.8
Total liabilities	5,270,822	5,111,787	-159,034	-3.0
Equity				
Equity attributable to owners of the parent				
Common stock	247,094	247,127	33	0.0
Capital surplus	2,046,696	2,053,253	6,557	0.3
Retained earnings	647,347	644,442	-2,904	-0.4
Treasury stock	-70,436	-70,286	149	—
Accumulated other comprehensive income	48,697	68,279	19,581	40.2
Total equity attributable to owners of the parent	2,919,399	2,942,816	23,417	0.8
Non-controlling interests	398,501	395,520	-2,981	-0.7
Total equity	3,317,900	3,338,336	20,435	0.6
Total liabilities and equity	8,588,722	8,450,123	-138,599	-1.6

(2) Interim Condensed Consolidated Statement of Profit or Loss

(Millions of yen)

	Three Months ended June 30, 2022	Three Months ended June 30, 2023	Increase/decrease	
	Amount	Amount	Amount	Change (%)
Revenue	390,565	430,523	39,957	10.2
Cost of sales	122,249	127,674	5,425	4.4
Selling, general and administrative expenses	218,595	253,909	35,314	16.2
Gain on transfer from business divestiture	—	10,458	10,458	—
Operating income	49,721	59,397	9,676	19.5
Other non-operating income	3,531	4,680	1,149	32.5
Other non-operating expenses	3,505	6,113	2,608	74.4
Gain on change in equity interest	4,172	19,137	14,964	358.7
Equity in losses of associates and joint ventures	-8,698	-3,903	4,794	—
Profit before tax	45,221	73,198	27,976	61.9
Income tax expense	15,353	32,698	17,344	113.0
Profit for the period	29,868	40,500	10,631	35.6
Attributable to:				
Owners of the parent	25,232	37,316	12,083	47.9
Non-controlling interests	4,635	3,184	-1,451	-31.3
Profit for the period	29,868	40,500	10,631	35.6
Earnings per share attributable to owners of the parent				
Basic (yen)	3.37	4.98	1.61	47.8
Diluted (yen)	3.36	4.96	1.60	47.8

(3) Interim Condensed Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three Months ended June 30, 2022	Three Months ended June 30, 2023
Profit for the period	29,868	40,500
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	-27	-110
Equity financial assets measured at FVTOCI	327	2,016
Share of other comprehensive income of associates	35	90
Subtotal	334	1,996
Items that may be reclassified subsequently to profit or loss		
Debt financial assets measured at FVTOCI	-1,414	267
Exchange differences on translating foreign operations	21,033	19,739
Subtotal	19,619	20,006
Other comprehensive income, net of tax	19,954	22,003
Total comprehensive income	49,822	62,503
Total comprehensive income attributable to:		
Owners of the parent	45,146	58,532
Non-controlling interests	4,675	3,970
Total comprehensive income	49,822	62,503

(4) Interim Condensed Consolidated Statement of Changes in Equity

Three Months ended June 30, 2022

(Millions of yen)

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

Three Months ended June 30, 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, 2023	247,094	2,046,696	647,347	-70,436	48,697	2,919,399	398,501	3,317,900
Profit for the period			37,316			37,316	3,184	40,500
Other comprehensive income, net of tax					21,216	21,216	786	22,003
Total comprehensive income for the period	—	—	37,316	—	21,216	58,532	3,970	62,503
Transactions with owners and other transactions								
Issue of common stock	33	42				76		76
Payment of dividends			-41,855			-41,855	-6,500	-48,355
Transfer of accumulated other comprehensive income to retained earnings			1,634		-1,634	—		—
Purchase of treasury stock				-0		-0		-0
Changes attributable to obtaining or losing control of subsidiaries						—	-6,283	-6,283
Changes in ownership interests in subsidiaries without losing control		2,717				2,717	5,001	7,718
Share-based payment transactions		4,010				4,010		4,010
Others		-212	0	149		-62	829	766
Total	33	6,557	-40,221	149	-1,634	-35,115	-6,952	-42,067
Balance at June 30, 2023	247,127	2,053,253	644,442	-70,286	68,279	2,942,816	395,520	3,338,336

(5) Interim Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Three Months ended June 30, 2022	Three Months ended June 30, 2023
	Amount	Amount
Cash flows from operating activities:		
Profit before tax	45,221	73,198
Depreciation and amortization	34,638	42,363
Gain on transfer from business divestiture	—	-10,458
Gain on change in equity interest	-4,172	-19,137
Equity in losses of associates and joint ventures	8,698	3,903
Increase in call loans in banking business	-10,000	-34,000
Decrease in trade and other receivables	36,778	49,804
Decrease in trade and other payables	-34,958	-58,587
Increase (decrease) in loans for credit card business	10,418	-32,768
Decrease (increase) in loans in banking business	-68,958	11,292
Increase in customer deposits in banking business	76,666	62,759
Others	-30,073	-29,481
Subtotal	64,259	58,889
Interest and dividends received	555	703
Interest paid	-2,233	-2,843
Income taxes—paid	-40,674	-40,301
Income taxes—refunded	121	15,792
Net cash generated by operating activities	22,027	32,240
Cash flows from investing activities:		
Purchase of investment securities in banking business	-30,793	-91,031
Proceeds from sales/redemption of investment securities in banking business	62,645	50,505
Purchase of other investments	-30,708	-26,860
Payments for loans receivable	-3,874	-32,600
Collection of loans receivable	76	30,249
Purchase of property and equipment	-17,221	-26,307
Others	-5,420	-25,532
Net cash used in investing activities	-25,295	-121,577
Cash flows from financing activities:		
Net decrease (increase) in short-term borrowings	63,160	-39,099
Proceeds from long-term borrowings	43,199	53,328
Repayments of long-term borrowings	-3,611	-16,446
Redemption of corporate bonds	—	-80,000
Proceeds from issuance of commercial papers	151,000	153,000
Redemption of commercial papers	-148,000	-174,000
Dividends paid	-43,569	-41,879
Repayment of lease liabilities	-9,097	-9,574
Others	-5,299	1,199
Net cash used in (generated by) financing activities	47,782	-153,471
Effects of exchange rate changes on cash and cash equivalents	7,226	6,640
Net decrease (increase) in cash and cash equivalents	51,741	-236,167
Cash and cash equivalents at the beginning of the period	1,127,523	1,651,851
Cash and cash equivalents at the end of the period	1,179,265	1,415,683

(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.

3. Gain on transfer from business divestiture

This cumulative consolidated first quarter of the fiscal year ending March 31, 2024 (April 1, 2023 – June 30, 2023)

AI Company business operated by LINE Corporation was transferred to WORKS MOBILE Japan Corp. through a company split and the shares of WORKS MOBILE Japan Corp. were acquired as consideration. The difference between the consideration of the company split and the net assets related to the transferred business was recorded as gain on transfer from business divestiture.

4. Gain on change in equity interest

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

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

This cumulative consolidated first quarter of the fiscal year ending March 31, 2024 (April 1, 2023 – June 30, 2023)

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

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.