## Results for the Fiscal Year Ended March 31, 2021 [IFRSs]

April 28, 2021

| | | | |
|---|---|---|---|
| Company Name: | Z Holdings Corporation | Share Listings: | 1st section of TSE |
| Code No.: | 4689 | URL: | https://www.z-holdings.co.jp/en/ |
| Representative: | Kentaro Kawabe, President and Representative Director, Co-CEO | Tel: | 03-6779-4900 |
| Contact: | Ryosuke Sakaue, Senior Managing Corporate Officer, GCFO | | |

Scheduled Ordinary Shareholder's Meeting Date: June 18, 2021

Scheduled Dividend Payment Date: June 4, 2021

Scheduled Securities Report Submission Date: June 17, 2021

Fiscal Results Supplementary Briefing Materials to Be Created: Yes

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

(Amounts less than one million yen are omitted)

### 1. Consolidated Results for FY2020 (April 1, 2020 - March 31, 2021)

(1) Consolidated Business Performance (April 1, 2020 - March 31, 2021)

(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 (%) |
| FY2020 | 1,205,846 (14.5) | 162,125 (6.5) | 142,615 (5.1) | 89,120 (1.2) | 70,145 (-14.1) | 121,227 (52.7) |
| FY2019 | 1,052,943 (10.3) | 152,276 (8.4) | 135,676 (10.0) | 88,020 (13.1) | 81,675 (3.8) | 79,393 (-5.0) |

| | Adjusted EBITDA | Adjusted EPS | Basic earnings per share | Diluted earnings per share | Profit ratio to equity attiributable to owners of the parent | Profit before tax ratio to total assets | Operating margin |
|---|---|---|---|---|---|---|---|
| | Millions of yen (%) | Yen (%) | Yen | Yen | % | % | % |
| FY2020 | 294,837 18.8 | 18.27 -2.1 | 14.02 | 14.01 | 4.1 | 2.7 | 13.4 |
| FY2019 | 248,107 — | 18.66 — | 16.88 | 16.88 | 10.3 | 4.3 | 14.5 |

(For reference) Equity in losses of associates and joint ventures: FY2020 -¥19,418 million FY2019 -¥24,542 million

(Note)Since Adjusted EBITDA and Adjusted EPS are disclosed commencing from the fiscal year ended March 31, 2021, year-on-year figures for the fiscal year ended March 31, 2020 are omitted.

Please refer to the following page for definitions of Adjusted EBITDA and Adjusted EPS.

(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 |
| FY2020 | 6,696,680 | 2,989,597 | 2,682,318 | 40.1 | 353.17 |
| FY2019 | 3,933,910 | 1,047,823 | 771,548 | 19.6 | 162.01 |

(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 |
| FY2020 | 207,921 | -12,349 | -12,070 | 1,065,726 |
| FY2019 | 241,578 | -503,734 | 595,809 | 880,100 |

### 2. Dividends

| | Dividends per share | | | | | Total amount (Full year) | Payout ratio (Consolidated) | Dividend ratio to equity attributable to owners of the parent (Consolidated) |
|---|---|---|---|---|---|---|---|---|
| (Record date) | 1Q | 2Q | 3Q | Year end | Full year | Millions of yen | % | % |
| | Yen | Yen | Yen | Yen | Yen | | | |
| FY2019 | — | 0.00 | — | 8.86 | 8.86 | 42,195 | 52.5 | 5.5 |
| FY2020 | — | 0.00 | — | 5.56 | 5.56 | 42,228 | 39.7 | 2.2 |
| FY2021 | — | 0.00 | — | 5.56 | 5.56 | | — | |

| (Estimates) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|

### 3. Consolidated Performance Estimates for FY2021 (April 1, 2021 – March 31, 2022)

| | Revenue | | Adjusted EBITDA | |
|---|---|---|---|---|
| | Millions of yen | % | Millions of yen | % |
| FY2021 | 1,520,000 - 1,570,000 | 26.1 - 30.2 | 303,000 - 313,000 | 2.8 – 6.2 |

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

For details, please refer to 3. Outlook for Fiscal 2021 (April 1, 2021 – March 31, 2022) in (1) Qualitative Information regarding the Consolidated Business Performance of 1 Qualitative Information regarding the Consolidated Operating Results on page 5 of the Results for the Fiscal Year (Attachments).

## * Notes

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

Newly consolidated subsidiaries: 2 (LINE Corporation, LINE Financial Asia Corporation Limited)

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

1) Changes due to IFRSs: None

2) Changes other than 1): None

3) Changes in accounting estimate: None

(3) Number of stocks issued (common stock)

1) Number of stocks issued (including treasury stocks)

| | |
|---|---|
| As of March 31, 2021 | 7,655,201,395 shares |
| As of March 31, 2020 | 4,822,507,465 shares |

2) Number of shares of treasury stocks

| | |
|---|---|
| As of March 31, 2021 | 60,141,521 shares |
| As of March 31, 2020 | 60,061,000 shares |

3) Average number of stocks outstanding

| | |
|---|---|
| As of March 31, 2021 | 5,003,819,285 shares |
| As of March 31, 2020 | 4,838,708,061 shares |

(4) Formula for each management index

・Adjusted EBITDA: Operating income + Depreciation & amortization ± EBITDA adjustment items

・Adjusted EPS: Adjusted net income / Average number of stocks outstanding (common stock)

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

* Adjusted net income: Net income attributable to owners of the parent ± EBITDA adjustment items ± tax equivalent on 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.

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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, 2020 to March 31, 2021)

■ Highlights

- Revenue of ¥1.2 trillion (up 14.5% year on year), achieving double-digit growth for two consecutive years; Adjusted EBITDA of ¥294.8 billion (up 18.8% year on year), achieving increased profit
- Growth in Shopping business drove the e-commerce transaction value to ¥3.22 trillion (up 24.4% year on year)

| | FY2020 | FY2021 | Year-on-Year Change (Amount) | Year-on-Year Change (%) |
|---|---|---|---|---|
| Revenue | ¥1,052.9 billion | ¥1,205.8 billion | +¥152.9 billion | +14.5% |
| Operating income | ¥152.2 billion | ¥162.1 billion | +¥9.8 billion | +6.5% |
| Adjusted EBITDA | ¥248.1 billion | ¥294.8 billion | +¥46.7 billion | +18.8% |
| Net Income attributable to owners of the parent | ¥81.6 billion | ¥70.1 billion | -¥11.5 billion | -14.1% |

The revenue for the fiscal year ended March 31, 2021 increased compared with the same period last year. This was mainly due to the consolidation of ZOZO, Inc. in November 2019, the business integration with LINE Corporation in March 2021, and the increase in the revenues of the ASKUL Group.

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

Net income attributable to owners of the parent decreased year on year, affected by the recognition of gain on change in equity interest of PayPay Corporation of ¥10.8 billion in the same period last year and for other reasons.

2. Segment Business Results Summary (April 1, 2020 – March 31, 2021)

Revenue and Operating Income by Segment

| | FY2020 | FY2021 | Year-on-Year Change (Amount) | Year-on-Year Change (%) |
|---|---|---|---|---|
| Commerce Business | | | | |
| Revenue | ¥715.3 billion | ¥840.2 billion | +¥124.8 billion | +17.5% |
| Operating income | ¥76.3 billion | ¥111.2 billion | +¥34.9 billion | +45.7% |
| Media Business | | | | |
| Revenue | ¥336.0 billion | ¥340.6 billion | +¥4.6 billion | +1.4% |
| Operating income | ¥157.0 billion | ¥150.1 billion | -¥6.9 billion | -4.4% |
| Others | | | | |
| Revenue | ¥8.0 billion | ¥32.4 billion | +¥24.4 billion | +304.9% |
| Operating income | -¥4.6 billion | -¥11.0 billion | -¥6.3 billion | — |
| Adjustments | | | | |
| Revenue | -¥6.4 billion | -¥7.4 billion | — | — |
| Operating income | -¥76.4 billion | -¥88.1 billion | — | — |
| Total | | | | |
| Revenue | ¥1,052.9 billion | ¥1,205.8 billion | +¥152.9 billion | +14.5% |
| Operating income | ¥152.2 billion | ¥162.1 billion | +¥9.8 billion | +6.5% |
| Adjusted EBITDA | ¥248.1 billion | ¥294.8 billion | +¥46.7 billion | +18.8% |

Notes: 1. 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 the automobile-related services, including a consolidated subsidiary, Carview Corporation, from the Commerce Business to the Media Business since April 1, 2020 and the transfer of the digital content-related services, including a consolidated subsidiary, eBOOK Initiative Japan Co., Ltd., from the Commerce Business to the Media Business since October 1, 2020. Along with this, prior data and comparative figures have been adjusted to the current segments retroactively.

2. Others represents categories of business that are not included in reportable segments and includes cloud-related services and one month (from March 1 to March 31, 2021) of LINE-related services, etc.

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

**1) Commerce Business in the Consolidated Fiscal Year**

Revenue of the Commerce Business rose from the same period last year, due to the consolidation of ZOZO, Inc. in November 2019 and its strong revenue, increase in the Shopping-related advertising revenue (*1) and expanded revenue of YJ Card Corporation, etc. In addition, e-commerce transaction value (*2) amounted to ¥3.22 trillion, increasing 24.4% year on year. Number of PayPay payments grew to 2,037.90 million (approx. 2.5 times year on year) as a result of the proliferation of cashless payments and sales promotional activities such as “Cho PayPay Matsuri (Super PayPay Festival)”.

As a result, revenue of the Commerce Business of the consolidated fiscal year amounted to ¥840.2 billion, increasing 17.5% year on year. Operating income increased 45.7% year on year, to ¥111.2 billion. The revenue of the Commerce Business accounted for 69.7% of total revenue.

(*1) Shopping-related advertising revenue is the total of the non-consolidated Shopping-related advertising revenue of Yahoo Japan Corporation; advertising revenue of “StoreMatch”, an advertising product in Yahoo! JAPAN Shopping sold by ValueCommerce Co., Ltd. to tenants of Yahoo! JAPAN Shopping, etc.; and listing fees for PayPay Mall. Revenue of Search advertising placed by tenants of Yahoo! JAPAN Shopping, PayPay Mall and that of Yahoo! JAPAN Ads (programmatic-based) are recorded in the advertising revenue of the Media Business segment.

(*2) E-commerce transaction value is the total transaction value of merchandise, services, and digital content.

**2) Media Business in the Consolidated Fiscal Year**

Total advertising revenue in the Media Business grew year on year, primarily as a result of sales activities and product improvements, despite the continued downturn in ad placements impacted by the novel coronavirus.

As a result, revenue of the Media Business of the consolidated fiscal year amounted to ¥340.6 billion, increasing 1.4% year on year. Operating income decreased 4.4% year on year, to ¥150.1 billion. The revenue of the Media Business accounted for 28.2% of total revenue.

Business Segment Breakdown

| | | |
|---|---|---|
| Commerce Business | Advertising | Display advertising (Programmatic, reservation), ZOZO |
| | Business Services (for corporations) | ASKUL, ZOZO, Affiliate-related services, Reservation-related services, Corporate system-use fees of YAHUOKU!, Payment-related services, Banking-related services, Credit card-related services and others, Real estate-related services |
| | Personal Services (for individuals) | LOHACO, ZOZO, Yahoo! JAPAN Premium, Personal system-use fees of YAHUOKU!, PayPay Flea Market sales commission, Credit card-related services, Pet supplies-related services, Telecommunications carrier-related services, Banking-related services, FX-related services, Payment-related services |
| | Others | Banking-related services |
| Media Business | Advertising | Search advertising, Display advertising (Programmatic, reservation) |
| | Business Services (for corporations) | Media-related services, CRM-related services and others |
| | Personal Services (for individuals) | Video-related services, E-book-related services and others |
| Others | Advertising | LINE Display ads, Account Ads and others |
| | Business Services (for corporations) | LINE FRIENDS, O2O, Commerce, AI-related services, Utilities payment-related services and others |
| | Personal Services (for individuals) | LINE Communication, Content, Finance-related services, Yahoo! JAPAN Mail, Utilities payment-related services and others |

Note: The contracts of business services are concluded with corporations; the contracts of personal services are concluded with individual users. The same product may be classified in different segments depending on the contractor.

3. Outlook for Fiscal 2021 (April 1, 2021 – March 31, 2022)

Based on the integration with LINE Corporation the Group expects a consolidated revenue of ¥1.52 − 1.57 trillion (up 26.1 - 30.2% year on year) and adjusted EBITDA of ¥303.0 – 313.0 billion (up 2.8 - 6.2% year on year), for the fiscal year ending March 31, 2022.

Please note that the forecast is presented with a range because the business environment remains unclear due to COVID-19, and because this will be the first fiscal year of the Company's business integration with LINE Corporation.

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

### 1. Assets, Liabilities and Equity

#### 1) Assets

Total assets at the end of fiscal 2020 amounted to ¥6,696,680 million, increasing ¥2,762,770 million, or 70.2%, from the end of fiscal 2019. 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.
- Investment securities in banking business increased compared with the end of fiscal 2019 because the acquisition amount exceeded the sale amount.
- Loans in banking business increased compared with the end of fiscal 2019 mainly due to the increase in housing loans.
- Other financial assets rose compared with the end of fiscal 2019, mainly due to the increase in deposits in the central clearing house and the business integration with LINE Corporation.
- Goodwill, intangible assets, and investments accounted for using the equity method increased from the end of fiscal 2019, primarily because of the business integration with LINE Corporation.

#### 2) Liabilities

Total liabilities at the end of fiscal 2020 were ¥3,707,082 million, increasing ¥820,995 million, or 28.4%, from the end of fiscal 2019. The major components of change were the following:

- Trade and other payables increased from the end of fiscal 2019 mainly due to the increase in foreign exchange dealings deposits from customers and the business integration with LINE Corporation.
- Customer deposits in banking business increased from the end of fiscal 2019 due to the increase of deposits from customers.
- Interest-bearing liabilities increased from the end of fiscal 2019 chiefly due to the increase as a result of the issuance of corporate bonds and the business integration with LINE Corporation.
- Deferred tax liabilities increased from the end of fiscal 2019 primarily due to the business integration with LINE Corporation.

#### 3) Equity

Total equity at the end of fiscal 2020 amounted to ¥2,989,597 million, increasing ¥1,941,774 million, or 185.3%, from the end of fiscal 2019. The primary reasons for change in equity were as follows:

- Capital surplus increased from the end of fiscal 2019 mainly due to the business integration with LINE Corporation by means of share exchange.
- Retained earnings increased from the end of fiscal 2019 because of recognition of net income attributable to owners of the parent despite payment of dividends.
- Non-controlling interests increased from the end of fiscal 2019, attributed primarily to the business integration with LINE Corporation.

### 2. Cash Flows

At the end of fiscal 2020, cash and cash equivalents amounted to ¥1,065,726 million, up ¥185,626 million from the end of fiscal 2019, out of which deposit with the Bank of Japan for banking business was ¥294,165 million.

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

Cash flows from operating activities amounted to a cash inflow of ¥207,921 million mainly because of recognition of income before income taxes, increase in customer deposits in banking business and the refund of income taxes withheld arising from inter-Group dividends despite the increase in loans in banking business and the payment of income taxes withheld arising from inter-Group dividends.

Cash flows from investing activities amounted to a cash outflow of ¥12,349 million, chiefly due to purchase and sales, etc., of investment securities in banking business, and the acquisitions of intangible assets, property and equipment and shares, despite proceeds arising from obtaining control of subsidiaries.

Cash flows from financing activities amounted to a cash outflow of ¥12,070 million, attributed mainly to the early repayment of short-term borrowing, repayment of long-term borrowing, redemption of corporate bonds and the payment of dividends, despite issuance of corporate bonds and long-term borrowing.

(3) Basic Policy regarding Profit Distribution and Dividend Payments for Fiscal 2020 and 2021

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 our services, capital expenditures, and capital and business alliances for future growth. At the same time, Z Holdings Corporation recognizes its responsibility as a listed company to recompense shareholders by returning profits to them.

Guided by the above policy, for the fiscal year ended March 2021, the Company has resolved to pay year-end dividends of ¥5.56 per share, equivalent to a total dividend payout of ¥42.2 billion. The Company plans to continue with the same amount of total dividend payout for the year-end dividend for the fiscal year ending March 2022.

Going forward, while continuing to invest for future business growth, the Company will aim to build corporate value by providing an appropriate return of profits to shareholders.

(4) Significant Contracts

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

1) License agreement with Oath Holdings Inc.

| | |
|---|---|
| Contract name | YAHOO JAPAN LICENSE AGREEMENT |
| Contract date | April 1, 1996 |
| Contract term | From April 1, 1996; termination date unspecified<br>Note: The license agreement may be terminated under the following conditions: (i) mutual decision by the companies to terminate the agreement; (ii) cancellation of the agreement following bankruptcy or loan default by one of the companies; (iii) purchase of one-third or more of the outstanding shares of Yahoo Japan Corporation by a competitor of Oath Holdings Inc.; or (iv) merger or acquisition of Yahoo Japan Corporation rendering shareholders of Yahoo Japan Corporation before such merger or acquisition incapable of maintaining over 50% of shareholder voting rights of Yahoo Japan Corporation (may be waived by agreement of Oath Holdings Inc.). |
| Counterparty | Oath Holdings Inc. |
| Main details | 1) Licensing rights granted by Oath Holdings Inc. to Yahoo Japan Corporation:<br>・ Non-exclusive rights granted to Yahoo Japan Corporation for reproduction and use of Oath Holdings Inc.'s Internet search and other services customized and localized for the Japanese market (hereinafter referred to as the Japanese version of information search services, etc.)<br>・ Non-exclusive rights granted to Yahoo Japan Corporation for use in Japan of the trademark, etc., of Oath Holdings Inc.<br>・ Exclusive rights granted to Yahoo Japan Corporation for publishing of the trademark, etc., of Oath Holdings Inc. in Japan<br>・ Exclusive rights granted to Yahoo Japan Corporation worldwide for development, commercial use, and promotion, etc. of the Japanese version of information search services, etc.<br><br>2) Non-exclusive rights granted (gratis) to Oath Holdings Inc. worldwide for use of Japanese content added by Yahoo Japan Corporation<br><br>3) Royalties to be paid by Yahoo Japan Corporation to Oath Holdings Inc. (see Note, below)<br>Note: Initially, royalties were calculated as 3% of gross profit less sales commissions. Effective January 2005, the calculation method for determining royalties was revised, as follows:<br><br>Royalty calculation method<br>{(Revenue) - (Advertising sales commissions*) - (Cost of sales of consolidated subsidiaries with a different gross margin structure and others)} x 3%<br>* Advertising sales commissions on a consolidated basis |

2) 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 | 1) Non-exclusive provision of search and paid search advertising distribution technologies by counterparty<br>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.<br><br>2) Differentiation of search services<br>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.<br><br>3) Yahoo Japan Corporation's payment for counterparty's services<br>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.<br>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. |

3) Share exchange agreement

Based on the resolution of the board of directors meeting held on January 31, 2020 (“Agreement Execution Date”), the Company entered into a share exchange agreement (“Share Exchange Agreement”) on the same day with LINE Demerger Preparatory Company, a wholly owned subsidiary of LINE Corporation (“LINE”), as part of the series of transactions for accomplishing the business integration with LINE. However, since those two companies readjusted the subsequent schedule for implementation of the business integration as announced in Announcement Regarding Progress Toward Implementation of the Business Integration dated June 30, 2020 and Announcement Regarding Schedule for Implementation of the Business Integration dated August 3, 2020, those two companies resolved in each company's board of directors meeting held on August 3, 2020 to readjust the effective date provided for in this Share Exchange Agreement (“Effective Date”) and entered into a modified share exchange agreement (“Modified Agreement”).
Although the Effective Date was planned to be October 1, 2020 in the Share Exchange Agreement, the two companies agreed that the Effective Date shall be readjusted to be March 1, 2021 in the Modified Agreement.
Besides the Effective Date readjusted in the Modified Agreement, there is no significant change from the Share Exchange Agreement.

For confirmation, the share exchange was completed on March 1, 2021.

4) 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

JPY 150,000 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 (i) ÷ 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 The Japan Net Bank, Limited 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.

5) Debt guarantee agreement

As part of the series of transactions for accomplishing the business integration with LINE Corporation (“LINE”), and for the purpose of providing a joint guarantee for the fund procurement conducted by LINE in relation to the early redemption of LINE’s convertible bonds, the Company concluded a debt guarantee agreement with its 22 financial institutions, with LINE, NAVER Corporation, and Mizuho Bank, Ltd. acting as administrative agents.

The summary of the agreement is as follows:

① Outline of fund procurement by LINE

Please refer to LINE’s announcement, “Notice on Conclusion of a Syndicated Loan Agreement”: https://d.line-scdn.net/stf/linecorp/en/ir/all/LINE_20200928_2_EN.pdf

② Scope of guarantee

The Company provides a joint guarantee to the respective financial institutions on LINE’s loans, Tranche B (JPY 68.6 billion) and Tranche D (JPY 5.7 billion). In relation to the guarantee provided by NAVER Corporation for the aforementioned loans, the Company provides a joint guarantee to NAVER Corporation on the liability that LINE (an entity which has become a consolidated subsidiary of the Company due to the business integration; former LINE Demerger Preparatory Company which has succeeded LINE’s businesses including the rights and obligations of LINE in relation to its capital funding) may owe to NAVER Corporation.

③ Major obligations of the guarantor

The Company guarantees that LINE and Yahoo Japan Corporation will be maintained as its consolidated subsidiaries and that the Company’s shareholding ratio in LINE and Yahoo Japan Corporation will not fall below 50.1%, in between the date of the completion of the business integration with LINE and the date on which LINE fulfills all of its liabilities related to the loans.

## 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, we believe that mankind will be liberated from various restrictions and that a new future will be created.
The Group will adhere to a “users first” standpoint while endeavoring to improve services for sustainable growth. In addition, we aim to contribute to solving various problems of people and society, and to improve the corporate value of the Group.

(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 (*1) for the overall Group. As indicators for the Commerce Business, the Group uses e-commerce transaction value, credit card transaction value, number of PayPay payments, etc. For the Media Business, total advertising-related revenue, number of monthly logged-in user IDs, time spent by logged-in users via smartphones, etc., are used as important indicators of performance evaluation.

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

(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 the novel coronavirus disease, the society is going through an unprecedented, dramatic change. As the online world merges with the offline world, the value of big data is growing exponentially. As the Japanese government’s “Society 5.0” strategy points out, there is a demand for enterprises that use data to create services and businesses that balance economic development and the solving of social issues.

In addition, through the use of the Internet, we have 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 our lifestyle. 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 we expect a dazzling evolution in the environment of the highly competitive Internet market in the future.

The businesses of the Z Holdings Group can be largely classified into Commerce Business and Media Business. For the Commerce Business, according to a research by the Ministry of Economy, Trade and Industry (“METI”), the BtoC e-commerce market is JPY 19 trillion in 2019, and the EC ratio in the merchandising sector is 6.76%. Japan’s EC ratio is rising every year, and we see considerable upside potential. Specifically, it is expected that requests for a voluntary ban on leaving home following the outbreak of the novel coronavirus disease will trigger expansion of e-commerce use and that the EC ratio in Japan will further increase. Also, for the highly prospective field of cashless payment, METI’s Cashless Vision, “Declaration of Payment Reform”, sets a target of hiking the ratio of cashless payment to 40% by 2025, based on the fact that Japan’s cashless payment ratio is at around 20%, lower than in ,other countries. Going forward, we expect the market for our Commerce Business to expand and the online and offline domains to merge even further through the use of big data, technologies, and payment methods such as mobile payment.

As for the Media Business, a business we have been engaged in ever since our foundation, according to Dentsu Inc., total advertising expenditures in Japan was JPY 6.1594 trillion for 2020. Out of this, Internet advertising spending recorded JPY 2.229 trillion, exceeding television advertising spending and surpassing the JPY 2 trillion benchmark for the first time. Internet advertising media expenditures, which excludes Internet advertising production expenditure and advertising expenditure for merchandise-related EC platforms from the Internet advertising spending, continue to grow, and amounted to JPY 1.7567 trillion. By type, paid search advertising and display advertising accounted for more than 70% of the total, while video advertising grew from the year before, accounting for about 20% of the total.

２) Management strategy

Throughout our history, our services have been based on a user-first philosophy. Our business scale and organization have changed over the years, but our commitment to the enhancement of service usability and the enrichment of people’s lives has never altered. Because we believe that a deeper and more multifaceted understanding of our users’ needs is essential to the fulfillment of this commitment, we are working to gain the best possible understanding about user needs by accumulating and using data. Ultimately, we aim to be the home-grown Japanese platform operator with the best understanding of Japanese users. The cross-use of multi-big data plays a central role in understanding the people living in Japan the best, solving social issues through the provision of the best user experience and creating the future. Positioning ourselves in our third founding since fiscal 2018, we have made active investments in future growth to transition to a data-driven company with a business model that leverages our multi-big data.

The Group offers various services that center on e-commerce, media and Fintech in two different businesses, Commerce and Media. We are a globally unique corporate group that covers online to offline services in a comprehensive manner. The abundance of data we collect through our extensive lineup of services provides us with an important competitive edge in the creation of new and unique services. We aim to provide optimal services for each and every user, and to provide even higher-quality user experiences through the cross-use of data we receive from each service.

One of the key initiatives undertaken to achieve this goal is the strengthening of collaborations with SoftBank Corp. From before, we have promoted business collaborations in e-commerce and mobile payment businesses, but the Group became a consolidated subsidiary of SoftBank Corp. in June 2019. As an information communication group with an unprecedented scale even in the world, we aim to achieve further growth and improve our corporate value by leveraging various services and one of Japan’s largest user base of both companies. The multi-big data derived from the services and user base, which is both vast in volume and wide in variety will also play a key role in achieving our goal.

Furthermore, in order to strongly promote these initiatives and to become a leading corporate group in Japan and Asia, the Group has completed the business integration with LINE Corporation on March 1, 2021. The business integration has increased the number of countries and regions for which the Group provides services to as many as 230. We will endeavor to create synergies in each field by leveraging LINE Corporation’s user base of 167 million people in major Asian countries and regions, and vigorously build the future possible only by the Group.

In addition, proceeding with the management that expands these varieties of services and group companies will lead to stable revenue generation. We believe that this contributes to stabilizing the business base because having a variety of revenue sources and business models can disperse impacts of emergency situations such as the outbreak of the novel coronavirus disease.

We will leverage such competitive edge and strength to create new user experiences through higher-quality services that meet the needs of our users. Through these measures, as our medium term target, we aim to achieve a revenue of JPY 2 trillion and adjusted EBITDA of JPY 390 billion in fiscal 2023.

As a Group that has one of the largest data assets in Japan, both in volume and in variety, we will maximize the capacity of our data and will aim to become an enterprise that enhances the value of the whole of Japan.

3) Basic Policy of Major Business Segments

Commerce Business

The Group’s Commerce Business provides e-commerce-related services, membership services and financial and payment-related services, etc. For six consecutive years, shopping business transaction value has continued to record a high year on year growth rate of over 20% as a result of successful collaborations with companies including SoftBank Corp., PayPay Corporation, and ZOZO, Inc. In PayPay Mall, a premium online shopping mall launched in fiscal 2019, we have launched “X (Cross) Shopping” which enables users to make an online purchase of items from the inventories of physical stores. Through this, we aim to acquire a market share in the offline consumer market, which has a size of approximately JPY 140 trillion. In addition, as a short term measure resulting from the integration with LINE Corporation, we will integrate the loyalty programs of each company and use the three sources of actions (Yahoo! JAPAN, PayPay and LINE) to promote cross-use of services and to further expand our ecosystem. As a medium- to long-term measure, we will deploy social commerce utilizing LINE’s communication function. One of the measures to realize this is the deployment of the “Smart Store Project” which utilizes the expertise of NAVER Corporation. Through this measure, we plan to launch a service in fiscal 2021 that supports companies from the construction of their EC website to maximization of their revenues. We also aim to improve our logistic service through the business alliance to strengthen logistics and delivery concluded with Yamato Holdings Co., Ltd. announced in March 2020, strengthen our loyalty program, and develop convenient and value-for-money services utilizing our strength such as social commerce and the Group’s assets. Our goal is to achieve a sustainable growth in the e-commerce transaction value.

For the payment business, we have begun discussions to consolidate the domestic QR/barcode payment business of PayPay and LINE Pay to PayPay. The target of this consolidation is April 2022. Moving on, we will develop various profit-making businesses such as O2O (Online to Offline/traffic referral) business and financial service through the collaborations of PayPay Corporation and LINE Corporation, and by utilizing various data accumulated from offline activities and originating from payments using PayPay and LINE Pay. The increase in the balance of PayPay and LINE Pay accounts will also contribute to this purpose.

Media Business

The Media Business provides various media services that are indispensable to the daily lives of our users. These services are used by many, and the major source of revenue for the Media Business is advertising. In an emergency situation such as the COVID-19 pandemic, it is imperative that we provide needed information and services appropriately and rapidly. Based on the “User First” principle we have upheld since our foundation, we believe that providing needed services at the right time will enhance our credibility as a media platform, which in turn will lead to an increase in the number of users over the medium to long term, and ultimately to an increase in advertising revenue.

An important index on service usage, the number of monthly logged-in user IDs, has expanded steadily and exceeded 52 million at the end of the fiscal year ended March 31, 2021. Yahoo! JAPAN was ranked No. 1 in a fiscal 2020 ranking on total digital reach in Japan, held by a third party institution. In addition, unique assets not available in competitors have been expanded as a result of the integration with LINE Corporation. By utilizing the AI technologies of NAVER Corporation and assets of LINE Corporation, we will realize a new marketing solution that 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, we will provide solutions that commit to conversions by utilizing the accumulated data in combination with PayPay and LINE Official Accounts, etc. As a result, we will realize a 1:1 marketing that provides the best suited proposal for each user and will aim to increase the use frequency. We also regard our entry into the offline world to be a new chance for our business and are promoting initiatives to also make the users’ lives in the offline world even more convenient. Using the offline payment data through PayPay, we will comprehensively visualize user actions from “encounter with information” to “purchase” which will give us a foothold to increase our market share in the sales promotion market.

(4) Major Business Issues

In executing the Group’s management strategy noted in (3) 2), the Group will constantly have a user-first standpoint to improve services for its sustainable growth. For this, 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, we also believe that the most important and basic stance is to respect the privacy of our users. For this, we have established the Privacy Policy which is enforced based on the laws and regulations of Japan.

Since the Internet is an indispensable infrastructure for people's daily lives and for businesses, the Group's public responsibility is also increasing. Consequently, we conduct thorough risk management measures in pursuing its activities in terms of both facilities and operations to address unexpected accidents, natural disasters, and other events. In particular, we regard that corporate governance plays a crucial role in the enhancement of mid-to long-term corporate value. Moving on, we will strengthen the governance structure so that our management will serve the interests of all shareholders including the minority shareholders. Furthermore, we will further step up our efforts to fulfill our corporate social responsibility and establish and operate an internal control system to address corporate management risks.

Maximizing the performance of our human resources, the source for creating the Group's value, is also an important issue to deal with. For this, we continue to create systems and frameworks that will raise employees' awareness towards work and work quality. Yahoo Japan Corporation, a company of the Group, has been acknowledged in White 500 category of the Certified Health and Productivity Management Organization Recognition Program for four years in a row since 2017. Under the belief that our employees can maximize their performance when their physical and mental conditions are at their best, we will continue to create a work environment where all employees can work in their best physical and mental conditions.

In March 2021, the Company has established the "Special Advisory Committee on Global Data Governance," a special committee consisting of external experts to review and evaluate the Group's handling of data from security and governance perspectives. In addition, a Technical Verification Subcommittee consisting of external experts in the field of cybersecurity has been established to support the Special Advisory Committee from a technical perspective. In order to fulfill its social responsibility as a digital platform operator, the ZHD Group will continue to sincerely consider the opinions and suggestions of customers and experts, and make continuous improvements to enhance transparency and create an environment where customers can use our services with peace of mind.

## 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, 2020 | As of Mar. 31, 2021 | Increase/decrease | |
|---|---|---|---|---|
| | Amount | Amount | Amount | Change (%) |
| **Assets** | | | | |
| Cash and cash equivalents | 880,100 | 1,065,726 | 185,626 | 21.1 |
| Call loans in banking business | — | 65,000 | 65,000 | — |
| Trade and other receivables | 386,799 | 480,195 | 93,396 | 24.1 |
| Inventories | 20,889 | 24,668 | 3,778 | 18.1 |
| Loans in credit card business | 342,245 | 407,955 | 65,709 | 19.2 |
| Investment securities in banking business | 415,809 | 517,984 | 102,174 | 24.6 |
| Loans in banking business | 98,752 | 247,047 | 148,295 | 150.2 |
| Other financial assets | 264,213 | 448,210 | 183,997 | 69.6 |
| Property and equipment | 131,215 | 153,240 | 22,025 | 16.8 |
| Right-of-use assets | 106,304 | 150,928 | 44,623 | 42.0 |
| Goodwill | 400,034 | 1,778,765 | 1,378,730 | 344.7 |
| Intangible assets | 679,375 | 1,075,871 | 396,496 | 58.4 |
| Investments accounted for using the equity method | 8,567 | 177,870 | 169,302 | — |
| Deferred tax assets | 43,739 | 39,427 | -4,311 | -9.9 |
| Other assets | 155,863 | 63,788 | -92,075 | -59.1 |
| **Total assets** | 3,933,910 | 6,696,680 | 2,762,770 | 70.2 |

(Millions of yen)

| | As of Mar. 31, 2020 | As of Mar. 31, 2021 | Increase/decrease | |
|---|---|---|---|---|
| | Amount | Amount | Amount | Change (%) |
| **Liabilities and equity** | | | | |
| **Liabilities** | | | | |
| Trade and other payables | 487,242 | 616,681 | 129,439 | 26.6 |
| Customer deposits in banking business | 903,118 | 1,186,206 | 283,087 | 31.3 |
| Interest-bearing liabilities | 1,086,436 | 1,389,563 | 303,126 | 27.9 |
| Other financial liabilities | 10,157 | 10,759 | 601 | 5.9 |
| Income taxes payable | 32,887 | 47,024 | 14,136 | 43.0 |
| Provisions | 28,161 | 33,075 | 4,914 | 17.5 |
| Deferred tax liabilities | 160,976 | 283,568 | 122,592 | 76.2 |
| Other liabilities | 177,106 | 140,203 | -36,902 | -20.8 |
| **Total liabilities** | 2,886,086 | 3,707,082 | 820,995 | 28.4 |
| **Equity** | | | | |
| Equity attributable to owners of the parent | | | | |
| Common stock | 237,422 | 237,724 | 301 | 0.1 |
| Capital surplus | 212,539 | 2,063,881 | 1,851,341 | 871.1 |
| Retained earnings | 330,752 | 362,999 | 32,246 | 9.7 |
| Treasury stock | -17,382 | -17,385 | -2 | — |
| Accumulated other comprehensive income | 8,216 | 35,098 | 26,882 | 327.2 |
| Total equity attributable to owners of the parent | 771,548 | 2,682,318 | 1,910,769 | 247.7 |
| Non-controlling interests | 276,274 | 307,279 | 31,004 | 11.2 |
| **Total equity** | 1,047,823 | 2,989,597 | 1,941,774 | 185.3 |
| **Total liabilities and equity** | 3,933,910 | 6,696,680 | 2,762,770 | 70.2 |

(2) Consolidated Statement of Profit or Loss

(Millions of yen)

| | Fiscal year ended Mar. 31, 2020 | Fiscal year ended Mar. 31, 2021 | Increase/decrease | |
|---|---|---|---|---|
| | Amount | Amount | Amount | Change (%) |
| Revenue | 1,052,943 | 1,205,846 | 152,902 | 14.5 |
| Cost of sales | 424,463 | 432,446 | 7,982 | 1.9 |
| Selling, general and administrative expenses | 468,032 | 591,964 | 123,932 | 26.5 |
| Gain on sales of property and equipment | — | 5,669 | 5,669 | — |
| Loss on retirement | 3,952 | 12,191 | 8,238 | 208.5 |
| Impairment losses | 4,219 | 12,788 | 8,569 | 203.1 |
| Operating income | 152,276 | 162,125 | 9,849 | 6.5 |
| Other non-operating income | 12,954 | 9,783 | -3,170 | -24.5 |
| Other non-operating expenses | 5,011 | 9,875 | 4,863 | 97.0 |
| Equity in losses of associates and joint ventures | -24,542 | -19,418 | 5,124 | — |
| Profit before tax | 135,676 | 142,615 | 6,939 | 5.1 |
| Income tax expense | 47,655 | 53,495 | 5,839 | 12.3 |
| Profit for the period | 88,020 | 89,120 | 1,099 | 1.2 |
| Attributable to: | | | | |
| Owners of the parent | 81,675 | 70,145 | -11,530 | -14.1 |
| Non-controlling interests | 6,345 | 18,975 | 12,629 | 199.0 |
| Profit for the period | 88,020 | 89,120 | 1,099 | 1.2 |
| Earnings per share attributable to owners of the parent | | | | |
| Basic (yen) | 16.88 | 14.02 | -2.86 | -17.0 |
| Diluted (yen) | 16.88 | 14.01 | -2.87 | -17.0 |

(3) Consolidated Statement of Comprehensive Income

(Millions of yen)

| | Fiscal year ended Mar. 31, 2020 | Fiscal year ended Mar. 31, 2021 |
|---|---|---|
| Profit for the year | 88,020 | 89,120 |
| Other comprehensive income | | |
| Items that will not be reclassified to profit or loss | | |
| Remeasurements of defined benefit plans | — | -673 |
| Equity financial assets measured at FVTOCI | -6,677 | 29,437 |
| Share of other comprehensive income of associates | — | -4 |
| Subtotal | -6,677 | 28,760 |
| Items that may be reclassified subsequently to profit or loss | | |
| Debt financial assets measured at FVTOCI | -1,415 | 457 |
| Exchange differences on translating foreign operations | -535 | 2,888 |
| Share of other comprehensive income of associates | 0 | — |
| Subtotal | -1,949 | 3,346 |
| Other comprehensive income, net of tax | -8,627 | 32,107 |
| Total comprehensive income | 79,393 | 121,227 |
| | | |
| Total comprehensive income attributable to: | | |
| Owners of the parent | 73,822 | 101,511 |
| Non-controlling interests | 5,570 | 19,715 |
| Total comprehensive income | 79,393 | 121,227 |

(4) Consolidated Statement of Changes in Equity

Fiscal year ended Mar. 31, 2020

(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, 2019 | 8,939 | -12,545 | 832,147 | -24,440 | 14,190 | 818,291 | 92,231 | 910,523 |
| Accumulated impact by the application of new accounting standards (*) | | | -2,466 | | | -2,466 | -2,997 | -5,463 |
| Balance at April 1, 2019 (corrected) | 8,939 | -12,545 | 829,681 | -24,440 | 14,190 | 815,825 | 89,234 | 905,060 |
| Profit for the year | | | 81,675 | | | 81,675 | 6,345 | 88,020 |
| Other comprehensive income, net of tax | | | | | -7,852 | -7,852 | -774 | -8,627 |
| Total comprehensive income for the year | — | — | 81,675 | — | -7,852 | 73,822 | 5,570 | 79,393 |
| Transactions with owners and other transactions | | | | | | | | |
| Issue of common stock | 228,483 | 226,393 | | | | 454,877 | | 454,877 |
| Payment of dividends | | | -45,042 | | | -45,042 | -5,608 | -50,650 |
| Transfer of accumulated other comprehensive income to retained earnings | | | -1,877 | | 1,877 | — | | — |
| Purchase of treasury stock | | | | -526,625 | | -526,625 | | -526,625 |
| Disposal of treasury stock | | | -533,684 | 533,684 | | — | | — |
| Changes attributable to obtaining or losing control of subsidiaries | | | | | | — | 186,309 | 186,309 |
| Changes in ownership interests in subsidiaries without losing control | | -1,138 | | | | -1,138 | 777 | -361 |
| Others | | -170 | -0 | | | -170 | -9 | -180 |
| Total | 228,483 | 225,084 | -580,603 | 7,058 | 1,877 | -118,099 | 181,469 | 63,369 |
| Balance at Mar. 31, 2020 | 237,422 | 212,539 | 330,752 | -17,382 | 8,216 | 771,548 | 276,274 | 1,047,823 |

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

Fiscal year ended Mar. 31, 2021

(Millions of yen)

| | Equity attributable to owners of the parent | | | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Accumulated other comprehensive income | Total | | |
| Balance at April 1, 2020 | 237,422 | 212,539 | 330,752 | -17,382 | 8,216 | 771,548 | 276,274 | 1,047,823 |
| Profit for the year | | | 70,145 | | | 70,145 | 18,975 | 89,120 |
| Other comprehensive income, net of tax | | | | | 31,366 | 31,366 | 740 | 32,107 |
| Total comprehensive income for the year | — | — | 70,145 | — | 31,366 | 101,511 | 19,715 | 121,227 |
| Transactions with owners and other transactions | | | | | | | | |
| Issue of common stock | 301 | 301 | | | | 603 | | 603 |
| Payment of dividends | | | -42,195 | | | -42,195 | -6,977 | -49,172 |
| Transfer of accumulated other comprehensive income to retained earnings | | | 4,484 | | -4,484 | — | | — |
| Purchase of treasury stock | | | | -2 | | -2 | | -2 |
| Changes attributable to obtaining or losing control of subsidiaries (*) | | 1,850,933 | -196 | | | 1,850,737 | 17,740 | 1,868,477 |
| Changes in ownership interests in subsidiaries without losing control | | 142 | | | | 142 | 888 | 1,030 |
| Others | | -35 | 8 | | | -26 | -362 | -388 |
| Total | 301 | 1,851,341 | -37,898 | -2 | -4,484 | 1,809,257 | 11,289 | 1,820,547 |
| Balance at Mar. 31, 2021 | 237,724 | 2,063,881 | 362,999 | -17,385 | 35,098 | 2,682,318 | 307,279 | 2,989,597 |

(*) Includes issuance of new shares for the stock exchange conducted for the business integration with LINE Corporation

(Please refer to (4. Business Combination))

(5) Consolidated Statement of Cash Flows

(Millions of yen)

| | Fiscal year ended Mar. 31, 2020 | Fiscal year ended Mar. 31, 2021 |
|---|---|---|
| | Amount | Amount |
| **Cash flows from operating activities:** | | |
| Profit before tax | 135,676 | 142,615 |
| Depreciation and amortization | 83,419 | 102,080 |
| Gain on sales of property and equipment | — | -5,669 |
| Loss on retirement of fixed assets | 3,952 | 12,191 |
| Impairment losses | 4,219 | 12,788 |
| Equity in losses of associates and joint ventures | 24,542 | 19,418 |
| Increase (decrease) in call loans in banking business | 20,000 | -65,000 |
| Decrease (increase) in trade and other receivables | -31,237 | 10,557 |
| Increase in trade and other payables | 73,784 | 3,386 |
| Increase in loans in credit card business | -88,904 | -65,709 |
| Increase in loans in banking business | -17,980 | -148,295 |
| Increase in customer deposits in banking business | 134,504 | 283,087 |
| Others | -39,638 | -39,473 |
| Subtotal | 302,337 | 261,977 |
| Interest and dividends received | 699 | 903 |
| Interest paid | -2,398 | -5,475 |
| Income taxes—paid | -59,269 | -159,061 |
| Income taxes—refunded | 210 | 109,578 |
| Net cash generated by operating activities | 241,578 | 207,921 |
| **Cash flows from investing activities:** | | |
| Purchase of investment securities in banking business | -278,180 | -354,684 |
| Proceeds from sales/redemption of investment securities in banking business | 279,696 | 251,900 |
| Purchase of other investments | -41,089 | -30,221 |
| Proceeds from sales/redemption of investments | 10,096 | 15,717 |
| Purchase of property and equipment | -34,361 | -28,578 |
| Purchase of intangible assets | -50,765 | -42,163 |
| Acquisition of control over subsidiaries | 60 | 177,082 |
| Others | -389,189 | -1,402 |
| Net cash used in investing activities | -503,734 | -12,349 |
| **Cash flows from financing activities:** | | |
| Net decrease (increase) in short-term borrowings | 503,440 | -277,298 |
| Proceeds from long-term borrowings | 21,000 | 177,896 |
| Repayments of long-term borrowings | -3,382 | -23,439 |
| Proceeds from issuance of corporate bonds | 229,217 | 199,367 |
| Redemption of corporate bonds | -5,000 | -10,000 |
| Dividends paid | -45,036 | -42,190 |
| Repayment of lease liabilities | -23,630 | -28,782 |
| Others | -80,798 | -7,623 |
| Net cash used (generated) by financing activities | 595,809 | -12,070 |
| Effects of exchange rate changes on cash and cash equivalents | -338 | 2,124 |
| Net increase in cash and cash equivalents | 333,316 | 185,626 |
| Cash and cash equivalents at the beginning of the period | 546,784 | 880,100 |
| Cash and cash equivalents at the end of the period | 880,100 | 1,065,726 |

(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. Changes in Presentation Method

(Re: Consolidated Statement of Cash Flows)

There was an increased importance in "Interest and dividends received" from operations other than our finance business presented in "Others" in "Cash flows from investing activities" in the consolidated fiscal year ended March 31, 2020, and "Interest paid" for operations other than our finance business presented in "Others" in "Cash flows from financing activities" in the same period. Thus, these items are now independently presented in "Cash flows from operating activities" in the consolidated fiscal year ended March 31, 2021.

In order to reflect this change in the presentation method ¥699 million, which was included in "Others" in "Cash flows from investing activities" in the consolidated fiscal year ended March 31, 2020 is now reclassified as "Interest and dividends received" in "Cash flows from operating activities". Likewise, -¥2,398 million, which was included in "Others" in "Cash flows from financing activities" is now reclassified as "Interest paid" in "Cash flows from operating activities".

3. 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.

Due to the outbreak of the coronavirus disease (COVID-19), there has been a sharp slowdown in economic activity and consequent deterioration in the economic environment, but they have not had a significant impact on the Group's business results for the consolidated fiscal year. As of this moment, it is difficult to make a reasonable estimate of the duration and extent of the impact of the COVID-19 infection. If there is a delay in the curbing of the outbreak, this will affect the Group's future earnings and cash flows and there will be certain uncertainties in the estimates. In this situation, we reasonably estimate and recognize the amount on the evaluation of impairment of goodwill, property and equipment, right-of-use assets and intangible assets, and on the measurements of fair value of investments and expected credit losses related to receivables, etc. When we make the estimates, we take into consideration the period and the risks and uncertainties of the impact of the COVID-19 infection, based on the information and facts available at the time of preparation of the consolidated financial statements of the current period. However, future uncertainties may cause a discrepancy between the estimated amount made with the best estimates and the subsequent results.

4. Business Combination

Previous consolidated fiscal year (April 1, 2019 – March 31, 2020)

Major business combination that took place in the previous consolidated fiscal year is as follows:

ZOZO, Inc.

1) Outline of Business Combination

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

2) Outline of Acquired Company

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

3) Date of Acquisition

November 13, 2019

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

Notes: 1. Adjustment to the provisional amount

Consideration transferred is allocated to acquired assets and assumed liabilities based on the fair value on the acquisition date. Allocation of the consideration transferred was completed in the previous consolidated fourth quarter. There is no difference between the initial provisional amount and the final amount.

2. Intangible assets

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

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

3. Non-controlling interests

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

4. Goodwill

Goodwill reflects the future excess earning power expected to be derived from future business development and synergies between the Group and the acquired company.

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

The acquiree’s revenue and net income after the said acquisition date as recognized in the previous consolidated profit and loss statement are JPY57,462 million and JPY 5,773 million respectively.

Please note that the amortization of intangible assets, etc. as recognized on the acquisition date is included in the abovementioned net income.

This consolidated fiscal year (April 1, 2020 – March 31, 2021)

Major business combination that took place in this consolidated fiscal year is as follows:

LINE Corporation

1) Outline of Business Combination

The Company conducted a share transfer, effective March 1, 2021, in which the Company is the wholly-owning parent company, and the wholly-owned subsidiary of A Holdings Corporation (formerly LINE Corporation), LINE Corporation (formerly LINE Demerger Preparatory Company) is the wholly-owned subsidiary.

The business integration was conducted with the aim of taking a great leap forward to become a corporate group capable of facing and prevailing against the fierce competition in Japan and the global market by pursuing synergies in existing business areas, as well as making business investments targeting growth in new business areas such as AI, commerce, Fintech, advertising, and O2O and others.

2) Outline of Acquired Company

| | |
|---|---|
| Name | LINE Corporation (formerly LINE Demerger Preparatory Company) |
| Business description | Advertising service based on the mobile messenger application “LINE,” core businesses including the sales of stamp and game service, and strategic businesses including Fintech, AI, and commerce service. |

3) Date of Acquisition

March 1, 2021

4) Percentage of voting rights acquired

100%

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

(Millions of yen)

| | |
|---|---|
| Fair value of consideration paid | |
| Common shares, etc., of the Company issued on the date of control acquisition *1 | 1,850,494 |
| Fair value of assets acquired and liabilities assumed | |
| Assets *2 | 1,075,163 |
| Cash and cash equivalents | 177,082 |
| Trade and other receivables | 62,223 |
| Property and equipment | 24,666 |
| Right-of-use assets | 62,939 |
| Intangible assets *3 | 425,400 |
| Investments accounted for using equity method | 174,501 |
| Others | 148,348 |
| Liabilities *2 | -565,601 |
| Trade and other payables | -87,700 |
| Interest-bearing liabilities | -244,248 |
| Deferred tax liabilities | -155,855 |
| Others | -77,796 |
| Net assets | 509,561 |
| Non-controlling interests *4 | -16,968 |
| Goodwill *2, 5 | 1,357,901 |
| Total | 1,850,494 |

Notes: 1. Common shares issued on the date of acquisition are measured at the amount evaluated with the closing price on the date just before the acquisition. Consideration paid includes alternative compensation for the business integration.

2. As of the end of the fiscal year ended March 31, 2021, the identification of identifiable assets and liabilities as of the date of acquisition and the fair value of assets acquired and liabilities assumed on the date of acquisition have not been completed, and the amounts are preliminary based on current best estimates.

As a result, the amounts of assets acquired and liabilities assumed, and the allocation of the purchase consideration to goodwill incurred, are subject to adjustment during the first year following the date of acquisition if additional information is obtained and evaluated regarding facts and circumstances that existed at the date of acquisition.

3. Intangible assets

Includes identifiable intangible assets of JPY 406,964 million. The following table shows the breakdown. For clarification purposes, the estimated useful life of customer base is 12 – 18 years; trademark rights are classified as indefinite-lived intangible assets.

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

| | (Millions of yen) |
|---|---|
| Customer base | 236,886 |
| Trademark right | 170,078 |
| Total | 406,964 |

4. Non-controlling interests

Non-controlling interests belong to the subsidiaries of LINE Corporation (formerly LINE Demerger Preparatory Company) and are measured by multiplying the subsidiaries' identifiable net assets on the date of acquisition by non-controlling interest ratio after the business combination.

5. 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. The amount of expenses related to the acquisition in relation to the subject business combination is JPY 2,718 million. JPY 1,723 million and JPY 995 million out of this amount were included in Selling, general and administrative expenses in the Consolidated Statements of Profit or Loss for the previous consolidated fiscal year and the same item for this consolidated fiscal year, respectively.

6) Share exchange ratio, calculation basis and number of shares issued

1. Share exchange ratio

| | The Company | LINE Corporation |
|---|---|---|
| Share exchange ratio | 1 | 11.75 |

2. Calculation basis of share exchange ratio

The Company and A Holdings Corporation, in reference to the valuation obtained from the third-party valuation institution that each company had appointed and advice from legal advisors, etc., carefully examined the results of due diligence performed against each counterparty and other factors, and comprehensively took into account each company's financial status, business performance trends, share price performance, etc. As a result of multiple, careful negotiations on the share exchange ratio, the Company and A Holdings Corporation have made judgment that the share exchange ratio described in 1. above is appropriate and have ultimately agreed and decided upon the result on December 23, 2019.

3. Number of shares issued

Common shares: 2,831,284,030

5. 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 to evaluate business performance.

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

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

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 Others segment contains business segments not covered in the reporting segments, including services related to LINE and 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 is general corporate expenses not belonging to each reporting segment. General corporate expenses principally comprise general and administrative expenses not belonging to each 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 in order to give importance to effective service offering and promptly respond to changes in the market. Major changes include the transfer of the automobile-related services, including a consolidated subsidiary, Carview Corporation, from the Commerce Business to the Media Business since April 1, 2020 and the transfer of the digital content-related services, including a consolidated subsidiary, eBOOK Initiative Japan Co., Ltd., from the Commerce Business to the Media Business since October 1, 2020. Along with this, prior data and comparative figures have been adjusted to the current segments retroactively.

The Group's segment information is as follows:

Prior Consolidated Fiscal Year (April 1, 2019 – March 31, 2020)

(Millions of yen)

| | Reporting segment | | | Others | Adjustment figures | Consolidated figures |
|---|---|---|---|---|---|---|
| | Commerce Business | Media Business | Total | | | |
| Revenue | | | | | | |
| Sales to customers | 713,004 | 335,135 | 1,048,139 | 4,804 | — | 1,052,943 |
| Intersegment sales | 2,382 | 868 | 3,251 | 3,199 | -6,450 | — |
| Total | 715,386 | 336,003 | 1,051,390 | 8,004 | -6,450 | 1,052,943 |
| Segment income/loss | 76,362 | 157,030 | 233,393 | -4,669 | -76,448 | 152,276 |
| Other non-operating income | | | | | | 12,954 |
| Other non-operating expenses | | | | | | 5,011 |
| Equity in losses of associates and joint ventures | | | | | | -24,542 |
| Profit before tax | | | | | | 135,676 |
| Others | | | | | | |
| Depreciation and amortization (*) | 44,321 | 5,478 | 49,799 | 2,236 | 31,382 | 83,419 |

* Including the amortization of the right-of-use assets, accompanying the adoption of IFRS 16

Current Consolidated Fiscal Year (April 1, 2020 – March 31, 2021)

(Millions of yen)

| | Reporting segment | | | Others | Adjustment figures | Consolidated figures |
|---|---|---|---|---|---|---|
| | Commerce Business | Media Business | Total | | | |
| Revenue | | | | | | |
| Sales to customers | 838,024 | 339,685 | 1,177,709 | 28,137 | — | 1,205,846 |
| Intersegment sales | 2,228 | 949 | 3,177 | 4,273 | -7,451 | — |
| Total | 840,252 | 340,635 | 1,180,887 | 32,410 | -7,451 | 1,205,846 |
| Segment income/loss (*2,3) | 111,276 | 150,105 | 261,381 | -11,068 | -88,187 | 162,125 |
| Other non-operating income | | | | | | 9,783 |
| Other non-operating expenses | | | | | | 9,875 |
| Equity in losses of associates and joint ventures | | | | | | -19,418 |
| Profit before tax | | | | | | 142,615 |
| Others | | | | | | |
| Depreciation and amortization (*1) | 57,497 | 5,564 | 63,061 | 4,414 | 34,604 | 102,080 |

*1 Including the amortization of the right-of-use assets, accompanying the adoption of IFRS 16

*2 In Commerce business, includes loss on retirement of fixed assets of JPY6,878 million, due to the renewal of existing system for the credit card business

*3 Loss on impairment of right-of-use assets is included in Others. (Please refer to 6. Impairment loss)

6. Impairment loss

The lease agreements identified along with the business integration with LINE Corporation in which LINE Corporation is the lessee, are measured at the present value of the remaining lease payments as if they were new leases at the acquisition date, and right-of-use assets are measured at the same amount as the lease liability, based on IFRS 3 Business Combinations.

At the end of this consolidated fiscal year, the Company reviewed whether there are any indication of impairment, taking into account the business environment, etc. to which each asset group belongs. As a result, for asset groups for which there are indications of impairment, the recoverable amount is calculated based on the business plan after the business integration, and the book value of assets whose book value exceeds the recoverable amount is reduced to the recoverable amount in accordance with

IAS 36 Impairment of Assets. JPY 10,699 million is recognized as impairment loss.

7. 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, 2020 | Fiscal year ended March 31, 2021 |
|---|---|---|
| | Amount | Amount |
| Basic earnings per share (yen) | 16.88 | 14.02 |
| Profit for the year attributable to owners of the parent (million yen) | 81,675 | 70,145 |
| 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) | 81,675 | 70,145 |
| Weighted-average number of common stock (1,000 shares) | 4,838,708 | 5,003,819 |
| Diluted earnings per share (yen) | 16.88 | 14.01 |
| Adjustments on profit for the year (million yen) | — | — |
| Increase in the number of common stock (1,000 shares) | 110 | 3,149 |
| Potential common stock that are anti-dilutive and therefore excluded from the calculation of diluted earnings per share | Option Series: 1st, 2nd of 2010 | — |

8. Significant Subsequent Events

Not applicable.