

Results for the Six Months Ended September 30, 2022 (FY2022-2Q) [IFRSs]

November 2, 2022

Company Name: Z Holdings Corporation Share Listings: Prime Market 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 Securities Report Submission Date: November 9, 2022

Scheduled Dividend Payment Date: -

Fiscal Results Supplementary Briefing Materials to Be Created: Yes

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

1. Consolidated Results for FY2022-2Q (April 1, 2022 - September 30, 2022) (Amounts less than one million yen are omitted)

(1) Consolidated Business Performance (April 1, 2022 - September 30, 2022)

(Figures in parenthesis are % change YoY)

	Revenue	Operating income	Income before income taxes	Net income	Net income attributable to owners of the parent	Total comprehensive income
	Millions of yen (%)	Millions of yen (%)	Millions of yen (%)	Millions of yen (%)	Millions of yen (%)	Millions of yen (%)
Six-month period ended Sept. 30, 2022	784,909 (4.5)	99,478 (-13.8)	87,683 (-17.3)	48,936 (-21.7)	40,307 (-25.7)	124,758 (76.8)
Six-month period ended Sept. 30, 2021	750,962 (34.8)	115,469 (17.5)	106,060 (22.3)	62,482 (14.5)	54,226 (18.3)	70,580 (22.8)

	Adjusted EBITDA	Adjusted EPS	Basic earnings per share	Diluted earnings per share
	Millions of yen (%)	Yen (%)	Yen	Yen
Six-month period ended Sept. 30, 2022	167,196 (-10.7)	5.19 (-31.4)	5.38	5.36
Six-month period ended Sept. 30, 2021	187,189 (23.1)	7.56 (-26.9)	7.14	7.10

(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 Sept. 30, 2022	7,514,707	3,070,210	2,766,320	36.8
As of March 31, 2022	7,110,386	2,982,197	2,684,377	37.8

2. Dividends

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

(Note) Revision in dividends previously announced: None

3. Consolidated Performance Estimates for FY2022 (April 1, 2022 – March 31, 2023)

Fiscal year ending March 31, 2023	Revenue		Adjusted EBITDA	
	Millions of yen	% Change YoY	Millions of yen	% Change YoY
	1,724,000	10.0	331,500 - 340,000	0.0 - 2.6

(Note) Revision in performance estimates previously announced: None

For details, please refer to 3. Outlook for Fiscal 2022 (April 1, 2022 – March 31, 2023) in (1) Qualitative Information Regarding the Consolidated Business Performance on page 5 of the Results for the Six Months (Attachments).

* Notes

- (1) Changes in significant subsidiaries during the period (changes in significant subsidiaries causing changes in scope of consolidation): None
- (2) Changes in the accounting principles, procedures and presentation methods
- 1) Changes due to IFRSs: None
 - 2) Changes other than 1): None
 - 3) Changes in accounting estimate: None
- (3) Number of stocks issued (common stock)
- 1) Number of stocks issued (including treasury stocks)

As of September 30, 2022	7,633,266,686 shares
As of March 31, 2022	7,596,161,561 shares
 - 2) Number of shares of treasury stocks

As of September 30, 2022	136,936,400 shares
As of March 31, 2022	103,032,700 shares
 - 3) Average number of common stocks outstanding (quarterly cumulative)

As of September 30, 2022	7,493,477,089 shares
As of September 30, 2021	7,595,534,223 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 September 30, 2022: 33,889,300 shares).

(4) Formula for each management index

- Adjusted EBITDA: Operating income + Depreciation & amortization ± EBITDA adjustment items (*1)
 - Adjusted EPS: Adjusted net income (*2) / Average number of common stocks outstanding (quarterly cumulative)
- (*1) EBITDA adjustment items: Gains/losses on non-recurring and non-cash transactions within operating revenue and expenses (loss on retirement of fixed assets, impairment losses, stock compensation expenses, losses/gains on step acquisition, other transactions with undetermined cash outflows (one-time provisions, etc.), etc.)
- (*2) Adjusted net income: Net income attributable to owners of the parent ± EBITDA adjustment items ± tax equivalent on some adjustment items

* The Results for the Six 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 Wednesday, November 2, 2022.
- Z Holdings Corporation transitioned to the Prime Market from April 4, 2022, as per the selection results of the new market segments announced by Tokyo Stock Exchange, Inc. on January 11, 2022.

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1 Qualitative Information Regarding the Consolidated Operating Results

(1) Qualitative Information Regarding the Consolidated Business Performance

1. Business Results Summary (April 1, 2022 – September 30, 2022)

<p>■ Highlights</p> <ul style="list-style-type: none"> • Revenue of 784.9 billion yen reaching a record high cumulative consolidated second quarter revenue. • Adjusted EBITDA decreased due to the absence of gain on sales of YJFX, Inc. in the same period of the previous fiscal year and execution of strategic investments, etc.
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	Six months ended Sept. 30, 2021(yen)	Six months ended Sept. 30, 2022 (yen)	Year-on-Year Change (yen)	Year-on-Year Change (%)
Revenue	750.9 billion	784.9 billion	+33.9 billion	+4.5%
Adjusted EBITDA	187.1 billion	167.1 billion	-19.9 billion	-10.7%

The revenue for the cumulative consolidated second quarter of the fiscal year ending March 31, 2023 amounted to 784.9 billion yen (up 4.5% year on year), resulting in the highest cumulative consolidated second quarter revenue. This was due to increases in LINE Corporation's account ads revenue and Yahoo Japan Corporation's search advertising revenue, in addition to an increase in the revenue in the Commerce Business.

Adjusted EBITDA for the cumulative consolidated second quarter decreased 10.7% year on year, to 167.1 billion yen, due to the absence of gain on sales of YJFX, Inc. in the same period of the previous fiscal year and execution of strategic investments, etc., despite the abovementioned revenue growth.

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

Revenue and Adjusted EBITDA by Segment

	Six months ended Sept. 30, 2021 (yen)	Six months ended Sept. 30, 2022 (yen)	Year-on-Year Change (yen)	Year-on-Year Change (%)
Media Business				
Revenue	304.1 billion	308.1 billion	+3.9 billion	+1.3%
Adjusted EBITDA	124.8 billion	125.3 billion	+0.4 billion	+0.4%
Commerce Business				
Revenue	388.6 billion	411.5 billion	+22.9 billion	+5.9%
Adjusted EBITDA	71.3 billion	73.3 billion	+1.9 billion	+2.7%
Strategic Business				
Revenue	56.3 billion	63.3 billion	+6.9 billion	+12.3%
Adjusted EBITDA/loss	4.5 billion	-12.8 billion	-17.3 billion	—
Others				
Revenue	9.8 billion	11.3 billion	+1.4 billion	+15.1%
Adjusted EBITDA	2.0 billion	1.3 billion	-0.6 billion	-33.7%
Adjustments				
Revenue	-8.0 billion	-9.4 billion	—	—
Adjusted EBITDA/loss	-15.6 billion	-19.9 billion	—	—
Total				
Revenue	750.9 billion	784.9 billion	+33.9 billion	+4.5%
Adjusted EBITDA	187.1 billion	167.1 billion	-19.9 billion	-10.7%

Note:

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

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

1) Media Business in the Cumulative Consolidated Second Quarter

Revenue of the Media Business amounted to 308.1 billion yen, increasing 1.3% year on year. Adjusted EBITDA increased 0.4% year on year, to 125.3 billion yen. The revenue of the Media Business accounted for 39.3% of total revenue.

Revenue of LINE Corporation's account ads increased more than 20% year on year due to acquisition of new customers of LINE Official Account and continued increase in the number of distributions by major clients. Revenue of display ads also increased year on year, despite the impact of economic conditions in some industries.

Continuing on from the first quarter, Yahoo Japan Corporation's search advertising showed stable growth. Display advertising landed at the same level as the same period of the previous fiscal year, with a decline in demand for advertising due to macroeconomic impacts.

2) Commerce Business in the Cumulative Consolidated Second Quarter

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

In addition, e-commerce transaction value (*1) amounted to 2.0157 trillion yen, increasing 14.2% year on year due to the aforementioned favorable performance in the travel businesses, growth in domestic merchandise, overseas EC and others. Out of the e-commerce transaction value, domestic merchandise transaction value amounted to 1.4657 trillion yen, increasing 6.5% year on year.

As a result, revenue of the Commerce Business of the cumulative consolidated second quarter amounted to 411.5 billion yen, increasing 5.9% year on year. Adjusted EBITDA increased 2.7% year on year, to 73.3 billion yen. The revenue of the Commerce Business accounted for 52.4% 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 Second Quarter

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

Furthermore, PayPay GMV amounted to 3.5056 trillion yen (up 43.4% year on year), showing strong performance due to an increase in the number of PayPay payments resulting from increases in the number of users and frequency of use. Credit card transaction volume of PayPay Card Corporation steadily increased to 1.6843 trillion yen (up 23.7% year on year) and loan balance of PayPay Bank, to 503.9 billion yen (up 74.8% year on year).

As a result, revenue of the Strategic Business of the cumulative consolidated second quarter amounted to 63.3 billion yen, increasing 12.3% year on year. The revenue of the Strategic Business accounted for 8.1% of total revenue.

Major services/products of each segment

Media Business	LINE Ads	Display ads		LINE VOOM, LINE NEWS, Chat List, Talk Head View, Talk Head View Custom, etc.
		Account ads		LINE Official Account, LINE Promotion Sticker, LINE de Obo, LINE Flyer, etc.
		Other ads		livedoor Blog (*2), LINE Part Time Jobs, etc.
	Yahoo! JAPAN Ads	Search advertising		Yahoo! JAPAN Ads “Search advertising”
		Display advertising	Programmatic advertising	Yahoo! JAPAN Ads “Display advertising” (Programmatic-based), etc.
			Reservation advertising	Yahoo! JAPAN Ads “Display advertising” (Reservation-based), etc.
	Others	LINE		LINE Stickers, LINE GAME, LINE Fortune, LINE LIVE, LINE MUSIC, LINE Manga, etc.
Yahoo Japan		ebookjapan, Real estate-related services, Yahoo! JAPAN Loco, etc.		
Commerce Business	Merchandise EC	Shopping business		Yahoo! JAPAN Shopping, PayPay Mall (*3), ZOZOTOWN, LOHACO, Charm, LINE SHOPPING, LINE FRIENDS, LINE GIFT, MySmartStore, Yahoo! JAPAN Mart by ASKUL, LIVEBUY, overseas EC (*4)
		Reuse business		YAHUOKU!, PayPay Flea Market, ZOZOUSED
		ASKUL non-consolidated online BtoB business		ASKUL, SOLOEL ARENA, etc.
	Services EC		Yahoo! JAPAN Travel, Ikyu Travel, LINE TRAVEL (Taiwan), etc.	
	Others		Premium membership, ASKUL non-online BtoB business, ValueCommerce, etc.	
Strategic Business	Fintech	PayPay Card		—
		PayPay Bank		—
		Other fintech		PayPay Asset Management, PayPay Insurance, Magne-Max, LINE Pay, LINE Securities, LINE Score, LINE Pocket Money, LINE BITMAX, LINE NFT, etc.
	Others		AI, LINE Search, LINE Healthcare, etc.	

(*2) livedoor business is scheduled to be transferred to MINKABU THE INFONOID, Inc. on December 28, 2022.

(*3) PayPay Mall was integrated with Yahoo! JAPAN Shopping in October 2022.

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

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

There is no change from the most recently announced consolidated performance estimates.

As announced in the “Notice Concerning Conversion of PayPay Corporation into a Consolidated Subsidiary (Third-Generation Subsidiary) through Share Delivery” dated July 27, 2022, and “(Update) Results Related to the Conversion of PayPay Corporation into a Consolidated Subsidiary (Third-Generation Subsidiary) through Share Delivery” dated October 3, 2022, PayPay Corporation has become a consolidated subsidiary (third-generation subsidiary) of Z Holdings Corporation as of October 1, 2022. As a result of the consolidation of PayPay Corporation, formerly an equity-method affiliate, Z Holdings Corporation plans to record a gain on remeasurement relating to business combinations of 148,000 million yen in the third quarter of the fiscal year ending March 31, 2023. The gain on remeasurement relating to business combinations is an EBITDA adjustment item (see Summary “**Notes (4) Formula for each management index”), and will not affect the adjusted EBITDA.

(2) Qualitative Information Regarding the Consolidated Financial Position

1. Assets, Liabilities, and Equity

1) Assets

Total assets at the end of this consolidated second quarter amounted to 7,514,707 million yen, increasing 404,320 million yen, or 5.7%, from the end of fiscal 2021. The main components of change were the following:

- The principal reasons for the change in cash and cash equivalents are noted in “Cash Flows” below.
- Loans in banking business increased compared with the end of fiscal 2021 mainly due to the increase in housing loans.
- Other financial assets increased compared to the end of fiscal 2021, mainly due to an increase in the fair value of equity financial assets measured at FVTOCI.

2) Liabilities

Total liabilities at the end of this consolidated second quarter were 4,444,496 million yen, increasing 316,307 million yen, or 7.7%, from the end of fiscal 2021. The major component of change was the following:

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

3) Equity

Total equity at the end of this consolidated second quarter amounted to 3,070,210 million yen, increasing 88,013 million yen, or 3.0%, from the end of fiscal 2021. The primary reason for change in equity was as follows:

- Accumulated other comprehensive income increased from the end of fiscal 2021 mainly due to the increase in the fair value of equity financial assets measured at FVTOCI, and an increase in exchange differences on translating foreign operations resulting from the weaker yen.

2. Cash Flows

At the end of this consolidated second quarter, cash and cash equivalents amounted to 1,359,016 million yen, up 231,492 million yen from the end of fiscal 2021, out of which deposit with the Bank of Japan for banking business was 317,272 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 85,532 million yen mainly because of recognition of profit before tax for the period under review and the increase in customer deposits in banking business despite the increase in loans in banking business and payment of income taxes.

Cash flows from investing activities amounted to a cash inflow of 24,717 million yen, chiefly due to proceeds from sales/redemption of investment securities in banking business, despite purchase of investment securities in banking business, and property and equipment.

Cash flows from financing activities amounted to a cash inflow of 111,718 million yen, attributed mainly to proceeds from long-term borrowings, net increase in short-term borrowings and proceeds from issuance of corporate bonds, despite redemption of corporate bonds, repayments of long-term borrowings and the payment of dividends.

(3) Significant Contracts

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

(4) Risk Factors

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

2 Interim Condensed Consolidated Financial Statements and Significant Notes

(1) Interim Condensed Consolidated Statement of Financial Position

(Millions of yen)

	As of Mar. 31, 2022	As of Sept. 30, 2022	Increase/decrease	
	Amount	Amount	Amount	Change (%)
Assets				
Cash and cash equivalents	1,127,523	1,359,016	231,492	20.5
Call loans in banking business	80,000	50,000	-30,000	-37.5
Trade and other receivables	368,618	342,980	-25,637	-7.0
Inventories	26,671	27,986	1,314	4.9
Loans in credit card business	475,528	475,215	-313	-0.1
Investment securities in banking business	464,145	399,082	-65,062	-14.0
Loans in banking business	414,620	501,127	86,506	20.9
Other financial assets	511,487	607,872	96,385	18.8
Property and equipment	164,783	192,361	27,577	16.7
Right-of-use assets	162,763	179,800	17,036	10.5
Goodwill	1,788,481	1,800,574	12,093	0.7
Intangible assets	1,216,379	1,217,949	1,569	0.1
Investments accounted for using the equity method	203,398	243,533	40,134	19.7
Deferred tax assets	37,176	47,232	10,055	27.0
Other assets	68,806	69,974	1,167	1.7
Total assets	7,110,386	7,514,707	404,320	5.7

(Millions of yen)

	As of Mar. 31, 2022	As of Sept. 30, 2022	Increase/decrease	
	Amount	Amount	Amount	Change (%)
Liabilities and equity				
Liabilities				
Trade and other payables	524,989	521,674	-3,315	-0.6
Customer deposits in banking business	1,431,175	1,483,918	52,743	3.7
Interest-bearing liabilities	1,666,503	1,861,708	195,205	11.7
Other financial liabilities	8,528	5,662	-2,866	-33.6
Income taxes payable	43,186	31,476	-11,709	-27.1
Provisions	28,619	21,281	-7,337	-25.6
Deferred tax liabilities	262,539	292,710	30,171	11.5
Other liabilities	162,645	226,063	63,417	39.0
Total liabilities	4,128,188	4,444,496	316,307	7.7
Equity				
Equity attributable to owners of the parent				
Common stock	237,980	247,025	9,045	3.8
Capital surplus	2,037,384	2,054,148	16,763	0.8
Retained earnings	401,322	406,662	5,340	1.3
Treasury stock	-54,086	-70,492	-16,405	—
Accumulated other comprehensive income	61,776	128,976	67,199	108.8
Total equity attributable to owners of the parent	2,684,377	2,766,320	81,943	3.1
Non-controlling interests	297,819	303,889	6,069	2.0
Total equity	2,982,197	3,070,210	88,013	3.0
Total liabilities and equity	7,110,386	7,514,707	404,320	5.7

(2) Interim Condensed Consolidated Statement of Profit or Loss

(Millions of yen)

	Six months ended Sept. 30, 2021	Six months ended Sept. 30, 2022	Increase/decrease	
	Amount	Amount	Amount	Change (%)
Revenue	750,962	784,909	33,946	4.5
Cost of sales	240,018	245,933	5,914	2.5
Selling, general and administrative expenses	395,474	448,677	53,203	13.5
Gain on remeasurement relating to business combinations	—	9,180	9,180	—
Operating income	115,469	99,478	-15,990	-13.8
Other non-operating income	12,497	8,064	-4,432	-35.5
Other non-operating expenses	6,961	5,774	-1,186	-17.0
Gain on change in equity interest	2,452	5,343	2,890	117.8
Equity in losses of associates and joint ventures	-17,398	-19,428	-2,030	—
Profit before tax	106,060	87,683	-18,376	-17.3
Income tax expense	43,577	38,747	-4,830	-11.1
Profit for the period	62,482	48,936	-13,545	-21.7
Attributable to:				
Owners of the parent	54,226	40,307	-13,918	-25.7
Non-controlling interests	8,256	8,628	372	4.5
Profit for the period	62,482	48,936	-13,545	-21.7
Earnings per share attributable to owners of the parent				
Basic (yen)	7.14	5.38	-1.76	-24.7
Diluted (yen)	7.10	5.36	-1.74	-24.5

(3) Interim Condensed Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six months ended Sept. 30, 2021	Six months ended Sept. 30, 2022
Profit for the period	62,482	48,936
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	15	-16
Equity financial assets measured at FVTOCI	5,917	51,640
Share of other comprehensive income of associates	300	-118
Subtotal	6,233	51,504
Items that may be reclassified subsequently to profit or loss		
Debt financial assets measured at FVTOCI	231	-935
Exchange differences on translating foreign operations	1,633	25,252
Subtotal	1,864	24,316
Other comprehensive income, net of tax	8,098	75,821
Total comprehensive income	70,580	124,758
Total comprehensive income attributable to:		
Owners of the parent	62,183	116,120
Non-controlling interests	8,397	8,638
Total comprehensive income	70,580	124,758

(4) Interim Condensed Consolidated Statement of Changes in Equity

Six months ended September 30, 2021

(Millions of yen)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income	Total		
Balance at April 1, 2021	237,724	2,063,881	362,999	-17,385	35,098	2,682,318	307,279	2,989,597
Profit for the period			54,226			54,226	8,256	62,482
Other comprehensive income, net of tax					7,957	7,957	140	8,098
Total comprehensive income for the period	—	—	54,226	—	7,957	62,183	8,397	70,580
Transactions with owners and other transactions								
Issue of common stock	253	253				506		506
Payment of dividends			-42,228			-42,228	-5,788	-48,016
Transfer of accumulated other comprehensive income to retained earnings			776		-776	—		—
Purchase of treasury stock				-0		-0		-0
Changes attributable to obtaining or losing control of subsidiaries						—	-462	-462
Changes in ownership interests in subsidiaries without losing control		-8,487				-8,487	-10,728	-19,215
Share-based payment transactions		5,640				5,640		5,640
Others		-141	-2			-143	12	-131
Total	253	-2,735	-41,454	-0	-776	-44,712	-16,966	-61,679
Balance at Sept. 30, 2021	237,977	2,061,146	375,771	-17,385	42,278	2,699,788	298,710	2,998,499

Six months ended September 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			40,307			40,307	8,628	48,936
Other comprehensive income, net of tax					75,812	75,812	9	75,821
Total comprehensive income for the period	—	—	40,307	—	75,812	116,120	8,638	124,758
Transactions with owners and other transactions								
Issue of common stock	9,045	9,156				18,201		18,201
Payment of dividends			-43,535			-43,535	-7,428	-50,964
Transfer of accumulated other comprehensive income to retained earnings			8,612		-8,612	—		—
Purchase of treasury stock				-16,405		-16,405		-16,405
Changes attributable to obtaining or losing control of subsidiaries						—	2,427	2,427
Changes in ownership interests in subsidiaries without losing control		689				689	2,419	3,108
Share-based payment transactions		7,410				7,410		7,410
Others		-493	-45			-538	14	-523
Total	9,045	16,763	-34,967	-16,405	-8,612	-34,176	-2,568	-36,745
Balance at Sept. 30, 2022	247,025	2,054,148	406,662	-70,492	128,976	2,766,320	303,889	3,070,210

(5) Interim Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended Sept. 30, 2021	Six months ended Sept. 30, 2022
	Amount	Amount
Cash flows from operating activities:		
Profit before tax	106,060	87,683
Depreciation and amortization	67,110	69,761
Gain on remeasurement relating to business combinations	—	-9,180
Gain on change in equity interest	-2,452	-5,343
Equity in losses of associates and joint ventures	17,398	19,428
Decrease in call loans in banking business	30,000	30,000
Decrease in trade and other receivables	72,354	17,404
Decrease in trade and other payables	-74,687	-9,599
Increase in loans in banking business	-40,184	-86,506
Increase in customer deposits in banking business	128,728	52,743
Others	9,515	-28,928
Subtotal	313,841	137,462
Interest and dividends received	1,161	769
Interest paid	-6,412	-5,083
Income taxes—paid	-52,060	-47,616
Net cash generated by operating activities	256,529	85,532
Cash flows from investing activities:		
Purchase of investment securities in banking business	-113,981	-69,216
Proceeds from sales/redemption of investment securities in banking business	135,652	135,110
Purchase of other investments	-108,541	-43,343
Purchase of property and equipment	-28,107	-44,833
Purchase of intangible assets	-199,993	-26,051
Others	25,884	73,052
Net cash generated by (used in) investing activities	-289,086	24,717
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	-44,588	82,600
Proceeds from long-term borrowings	165,192	107,699
Repayments of long-term borrowings	-101,760	-33,575
Proceeds from issuance of new shares	42	16,813
Purchase of treasury stock	-0	-16,405
Proceeds from issuance of corporate bonds	100,000	60,000
Redemption of corporate bonds	—	-60,000
Proceeds from issuance of commercial papers	253,500	309,000
Redemption of commercial papers	-122,500	-289,000
Dividends paid	-42,219	-43,547
Repayment of lease liabilities	-20,064	-17,183
Others	-25,811	-4,682
Net cash generated by financing activities	161,790	111,718
Effects of exchange rate changes on cash and cash equivalents	1,364	9,523
Net increase in cash and cash equivalents	130,598	231,492
Cash and cash equivalents at the beginning of the period	1,065,726	1,127,523
Cash and cash equivalents at the end of the period	1,196,325	1,359,016

(6) Notes to Interim Condensed Consolidated Financial Statements

1. Going Concern Assumption

Not applicable.

2. Use of Estimates and Judgments

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

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

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

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

3. Gain on Remeasurement Relating to Business Combinations

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

Due to the Z Holdings Group's consolidation of LINE MUSIC CORPORATION, the previously held equity interest was remeasured based on the acquisition-date fair value. As a result, a gain on remeasurement relating to business combinations of 9,180 million yen was recognized.

4. Gain on Change in Equity Interest

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

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

5. Significant Subsequent Events

(Conversion into a Consolidated Subsidiary through Share Delivery)

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

1) Aim of the transaction

Since its business integration with LINE Corporation implemented in March 2021, Z Holdings Group has been engaged in solving various social issues through synergies with diverse group companies, mainly through its three action points, which all are essential to daily life: connection of “Information & People” (Yahoo! JAPAN), “People & People” (LINE), and “People & Financial Services” (PayPay). The goal is to grow into an AI tech company that will lead the world by establishing a unique ecosystem that distinguishes itself from other global IT companies through collaboration within the Group companies. PayPay Corporation provides a cashless payment service “PayPay,” which is one of the Company’s three action points. The service has acquired 48.65 million cumulative registered users and merchants in 3.74 million locations (Note 1) in three years and nine months since its launch, achieving rapid growth as a social infrastructure. Thus far, PayPay Corporation, whose parent company is SoftBank Group Corp., has achieved growth through the strengths of its shareholders, such as the Z Holdings Group and SoftBank Corp. Through the transaction, the Company and SoftBank Corp. will jointly manage B Holdings Corporation, and PayPay Corporation will become a consolidated subsidiary of the Company. The Company believes the transaction will not only enhance the solving of social issues, but will also maximize the corporate values of the Z Holdings Group and PayPay Corporation, and has thus decided to execute the transaction.

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

2) Exercise of the Share Delivery, etc.

- (1) SoftBank Corp. has made an investment into B Holdings Corporation in order for SoftBank Corp. and Z Intermediate Holdings Corporation to hold an equal ownership ratio (50:50) in B Holdings Corporation.
- (2) By way of dividends-in-kind, (i) Yahoo Japan Corporation, a subsidiary of the Company, transferred all of its common shares and Class A preferred shares in PayPay Corporation to Z Intermediate Holdings Corporation, and (ii) of these common shares, 163,196 shares were transferred to the Company.
- (3) After the effective dates of the investment and the dividends-in-kind, SoftBank Corp. and Z Intermediate Holdings Corporation respectively exercised their rights to request acquisition of the PayPay Corporation Class A preferred shares held respectively. On the date the Share Delivery takes effect (however, prior to the effective date of the Share Delivery), all said Class A preferred shares were converted into PayPay Corporation common shares (hereinafter the “Conversion of Share Class”).
- (4) B Holdings Corporation implemented the Share Delivery, and SoftBank Corp. and Z Intermediate Holdings Corporation supplied B Holdings Corporation with 796,804 PayPay Corporation common shares that they respectively held after the Conversion of Share Class on the effective date of the Share Delivery. Based on the share delivery plan, B Holdings Corporation delivered to SoftBank Corp. and Z Intermediate Holdings Corporation: one (1) Class A preferred share of B Holdings Corporation for one (1) common share of PayPay Corporation.

As a result of the transaction, B Holdings Corporation has received the said common shares, making PayPay Corporation a consolidated subsidiary of B Holdings Corporation as of October 1, 2022. Since the Company has acquired the nomination rights for the majority of directors of B Holdings Corporation (Note 2), PayPay Corporation has become a consolidated subsidiary (third-generation subsidiary) of the Company.

Note 2: As of July 27, 2022, the Company signed with SoftBank Corp. the Shareholders’ Agreement, in which the target company is B Holdings Corporation. The Shareholders’ Agreement stipulates that the Company will have the right to nominate the majority of directors that compose the Board of Directors of B Holdings Corporation, should the Share Delivery take effect.

3) Number of shares and percentage of voting rights of PayPay Corporation held by the Company before and after the Share Delivery

	Number of shares held	Percentage of voting rights held
Before the Share Delivery	Common shares: 415,000 shares (Includes indirectly held: 251,804 shares) Class A preferred shares: 545,000 shares (Includes indirectly held: 545,000 shares)	25% (Includes indirectly held: 15.2%)
After the Share Delivery	Common shares: 1,756,804 shares (Includes indirectly held: 1,593,608 shares)	63.9% (Includes indirectly held: 57.9%)

4) Schedule of Share Delivery

General meeting of the shareholders to resolve the Share Delivery	September 13, 2022
Effective date of the Share Delivery	October 1, 2022

5) Outline of the acquired company

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

6) Date of acquisition of control

October 1, 2022

7) Gain on remeasurement relating to business combinations

In conjunction with the consolidation of PayPay Corporation, the Company plans to recognize a gain on remeasurement relating to business combinations in the consolidated third quarter of the fiscal year ending March 31, 2023, which is estimated to be 148.0 billion yen (tentative).

Since the initial account processing for the business combination has not been completed, the fair value, etc. of the assets and liabilities acquired are not disclosed.

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.