

Results for the Six Months Ended September 30, 2023 (FY2023-2Q) [IFRSs]

November 7, 2023

Company Name: LY Corporation Share Listings: Prime Market of TSE
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Scheduled Securities Report Submission Date: November 9, 2023

Scheduled Dividend Payment Date: -

Fiscal Results Supplementary Briefing Materials to Be Created: Yes

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

1. Consolidated Results for FY2023-2Q (April 1, 2023 - September 30, 2023) (Amounts less than one million yen are omitted)

(1) Consolidated Business Performance (April 1, 2023 - September 30, 2023)

(Figures in parenthesis are % change YoY)

	Revenue	Operating income	Income before tax	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 Sep 30, 2023	871,799 (11.1)	116,128 (16.7)	123,420 (40.8)	101,307 (107.0)	93,736 (132.6)	125,918 (0.9)
Six-month period ended Sep 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)

	Adjusted EBITDA	Adjusted EPS	Basic earnings per share	Diluted earnings per share
	Millions of yen (%)	Yen (%)	Yen	Yen
Six-month period ended Sep 30, 2023	203,309 (21.6)	12.44 (158.5)	12.50	12.46
Six-month period ended Sep 30, 2022	167,196 (-10.7)	4.81 (-36.3)	5.38	5.36

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent
	Millions of yen	Millions of yen	Millions of yen	%
As of Sep 30, 2023	8,699,376	3,405,029	3,006,895	34.6
As of March 31, 2023	8,588,722	3,317,900	2,919,399	34.0

2. Dividends

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

(Note) Revision in dividends previously announced: None

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

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

(Note) Revision in performance estimates previously announced: None

For details, please refer to 3. Outlook for Fiscal Year Ending March 31, 2024 (April 1, 2023 – March 31, 2024) in (1) Qualitative Information Regarding the Consolidated Business Performance on page 5 of the Results for the Six Months (Attachments).

* Notes

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

(2) Changes in the accounting principles and accounting estimates

1) Changes due to IFRSs: None

2) Changes other than 1): None

3) Changes in accounting estimates: None

(3) Number of stocks issued (common stock)

1) Number of stocks issued (including treasury stocks)

As of September 30, 2023 7,635,230,111 shares

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

2) Number of shares of treasury stocks

As of September 30, 2023 136,073,873 shares

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

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

As of September 30, 2023 7,497,483,863 shares

As of September 30, 2022 7,493,477,089 shares

Note: The number of shares of treasury stocks includes the shares of LY Corporation (the "Company") held by the Stock Delivery Trust (J-ESOP), the Board Incentive Plan Trust, and the Stock Delivery ESOP Trust (as of March 31, 2023: 33,773,403 shares; as of September 30, 2023: 32,976,206 shares).

(4) Formula for each management index

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

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

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

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

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

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

* The Results for the 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 performances, etc., could differ significantly.

• Supplementary materials to the earnings results are published on the Company's website (<https://www.lycorp.co.jp/en/ir.html>) on Tuesday, November 7, 2023.

• The Company has changed its trade name from Z Holdings Corporation to its current name (LY Corporation) after conducting a group reorganization centered around Z Holdings Corporation and its core wholly owned subsidiaries, LINE Corporation and Yahoo Japan Corporation, on the effective date of October 1, 2023.

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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, 2023 – September 30, 2023)

■ Highlights
Revenue came to 871.7 billion yen (up 11.1% year on year), and adjusted EBITDA came to 203.3 billion yen (up 21.6% year on year). Both set new records for the highest performance to date in the cumulative consolidated second quarter.

	Six Months Ended Sep 30, 2022 (yen)	Six Months Ended Sep 30, 2023 (yen)	Year-on-Year Change (yen)	Year-on-Year Change (%)
Revenue	784.9 billion	871.7 billion	+86.8 billion	+11.1%
Adjusted EBITDA	167.1 billion	203.3 billion	+36.1 billion	+21.6%

The revenue for the cumulative consolidated second quarter of the fiscal year ending March 31, 2024 amounted to 871.7 billion yen (up 11.1% year on year), representing the highest cumulative consolidated second quarter revenue to date. This was due to increased revenue in the Strategic Business accompanying the consolidation of PayPay Corporation in October 2022 and other factors.

Adjusted EBITDA for the cumulative consolidated second quarter of the fiscal year ending March 31, 2024 amounted to 203.3 billion yen (up 21.6% year on year), representing the highest cumulative consolidated second quarter earnings to date. This was due to the improved profitability of the Commerce Business following cost optimization, as well as the improved profitability of the Strategic Business as a result of a selective focus on key business areas.

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

Revenue and Adjusted EBITDA by Segment

	Six Months Ended Sep 30, 2022 (yen)	Six Months Ended Sep 30, 2023 (yen)	Year-on-Year Change (yen)	Year-on-Year Change (%)
Media Business				
Revenue	311.7 billion	322.1 billion	+10.3 billion	+3.3%
Adjusted EBITDA	122.4 billion	127.3 billion	+4.9 billion	+4.0%
Commerce Business				
Revenue	411.5 billion	415.7 billion	+4.2 billion	+1.0%
Adjusted EBITDA	73.5 billion	88.6 billion	+15.1 billion	+20.6%
Strategic Business				
Revenue	63.3 billion	135.0 billion	+71.7 billion	+113.2%
Adjusted EBITDA/loss	-14.5 billion	-2.1 billion	+12.4 billion	—
Others				
Revenue	6.3 billion	6.5 billion	+0.2 billion	+3.2%
Adjusted EBITDA	0.2 billion	3.5 billion	+3.3 billion	—
Adjustments				
Revenue	-8.1 billion	-7.7 billion	—	—
Adjusted EBITDA/loss	-14.4 billion	-14.1 billion	—	—
Total				
Revenue	784.9 billion	871.7 billion	+86.8 billion	+11.1%
Adjusted EBITDA	167.1 billion	203.3 billion	+36.1 billion	+21.6%

Note:

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

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

1) Media Business in the Cumulative Consolidated Second Quarter

The revenue of the Media Business for the cumulative consolidated second quarter amounted to 322.1 billion yen (up 3.3% year on year). This was due to the consolidation of LINE MUSIC CORPORATION in September 2022 and increased revenues from account ads and search ads, despite a decrease in display ad revenue and other factors. Furthermore, adjusted EBITDA amounted to 127.3 billion yen (up 4.0% year on year). Revenue of the Media Business accounted for 36.9% of the total revenue.

- Account ads: Revenue increased 20.9% year on year due to an increase in the number of paid accounts of LINE Official Account, which was positively impacted by the revision of membership plan fees enacted in June 2023.
- Search ads: Despite a decrease in revenue from partners' websites, revenue increased 3.4% year on year due to an increase in revenue from ads distributed across LY Corporation's websites.
- Display ads: The impact of market conditions and other factors resulted in a year-on-year decrease in revenue.

2) Commerce Business in the Cumulative Consolidated Second Quarter

The revenue of the Commerce Business increased year on year due to increased revenue in the ASKUL Group and ZOZO Group as well as continued steady growth in the travel business.

E-commerce transaction value (*1) amounted to 2,012.4 billion yen (down 0.2% year on year) due to cost optimization and other factors. Domestic merchandise transaction value accounted for 1,446.7 billion yen (down 1.3% year on year) of the total e-commerce transaction value.

As a result of the above factors, the revenue of the Commerce Business for the cumulative consolidated second quarter amounted to 415.7 billion yen (up 1.0% year on year). Adjusted EBITDA increased 20.6% year on year, to 88.6 billion yen, due to improved profitability coinciding with cost optimization, etc. The revenue of the Commerce Business accounted for 47.7% of the total revenue.

(*1) E-commerce transaction value is the total transaction value of Merchandise E-commerce, Services E-commerce, 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

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

PayPay consolidated GMV, which includes the GMV of PayPay Corporation and the transaction volume of PayPay Card Corporation, amounted to 5.9 trillion yen (*2, 3) (up 28.1% year on year (*4)) while maintaining steady growth. Furthermore, the loan balance of PayPay Bank Corporation came to 649.5 billion yen (up 28.9% year on year).

As a result, the revenue of the Strategic Business for the cumulative consolidated second quarter amounted to 135.0 billion yen, representing a 113.2% increase year on year. In addition, the extent of losses included in the adjusted EBITDA of the Strategic Business has decreased compared to the same period of the previous fiscal year as a result of a selective focus on key business areas as well as the growth of the adjusted EBITDA of PayPay (consolidated), which includes PayPay Corporation and PayPay Card Corporation. The revenue of the Strategic Business accounted for 15.5% of the total revenue.

(*2) The use of the "Send/Receive" function of "PayPay Balance" between users is not included. From FY2021 Q4 onward, payments via Alipay and LINE Pay, etc. are included. Payments through "Credit (formerly known as Atobarai)," which launched in February 2022, are included.

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

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

Major services/products of each segment

Media Business	LINE Ads	Display ads		LINE VOOM, LINE NEWS, Chat List, Talk Head View, Talk Head View Custom, etc.
		Account ads		LINE Official Account, LINE Promotion Sticker, LINE de Obo (Participate with LINE), LINE Flyer, etc.
		Other ads		LINE Part Time Jobs, etc.
	Yahoo! JAPAN Advertising	Search advertising		Yahoo! JAPAN Ads “Search advertising”
		Display advertising	Programmatic advertising	Yahoo! JAPAN Ads “Display advertising” (Programmatic-based), etc.
			Reservation advertising	Yahoo! JAPAN Ads “Display advertising” (Reservation-based), etc.
	Others	LINE		LINE Stickers, LINE GAME, LINE Fortune, LINE MUSIC, LINE Manga, etc.
Yahoo! JAPAN		ebookjapan, real estate-related services, Yahoo! JAPAN Loco, etc.		
Commerce Business	Merchandise E-Commerce	Shopping business		Yahoo! JAPAN Shopping, ZOZOTOWN, LOHACO, Charm, LINE SHOPPING, LINE FRIENDS, LINE GIFT, MySmartStore, Yahoo! JAPAN Mart by ASKUL, LIVEBUY, LINE SHOPPING (Taiwan, Thailand), GIFTSHOP, EZ STORE, QUICK EC, MyShop
		Reuse business		YAHUOKU! (*5), PayPay Flea Market (*6), ZOZOUSED
		ASKUL online BtoB business		ASKUL, SOLOEL ARENA, APMRO, FEED DENTAL, etc.
	Services E-Commerce		Yahoo! JAPAN Travel, Ikyu Travel, LINE TRAVEL (Taiwan), etc.	
	Others		Premium membership, ASKUL non-online BtoB business, ValueCommerce, etc.	
Strategic Business	Fintech	PayPay (Consolidated)		PayPay, PayPay Card
		PayPay Bank		—
		Other fintech		PayPay Asset Management, PayPay Insurance, LINE Pay, LINE Score, LINE Pocket Money, LINE BITMAX, LINE NFT, etc.
	Others		AI, LINE Search, etc.	

(*5) YAHUOKU! has been renamed as Yahoo! JAPAN Auction on November 1, 2023.

(*6) PayPay Flea Market has been renamed as Yahoo! JAPAN Flea Market on November 1, 2023.

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

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

(2) Qualitative Information Regarding the Consolidated Financial Position

1. Assets, Liabilities, and Equity

1) Assets

Total assets at the end of this consolidated second quarter amounted to 8,699,376 million yen, having increased 110,653 million yen, or 1.3%, since the end of the consolidated fiscal year ended March 31, 2023.

The major components of the change in assets were as follows:

- The principal reasons for the change in cash and cash equivalents are as stated in “Cash Flows” below.
- Loans in the credit card business increased compared with the end of the consolidated fiscal year ended March 31, 2023, primarily due to an increase in the transaction volume of the credit card business.
- Investment securities in the banking business increased compared with the end of the consolidated fiscal year ended March 31, 2023, due to the purchase and sale of investment securities as part of the fund management activities of PayPay Bank Corporation.
- Investments accounted for using the equity method increased compared with the end of the consolidated fiscal year ended March 31, 2023, primarily due to the purchase of new investments.

2) Liabilities

Total liabilities at the end of this consolidated second quarter amounted to 5,294,346 million yen, having increased 23,524 million yen, or 0.4%, since the end of the consolidated fiscal year ended March 31, 2023.

The major components of the change in liabilities were as follows:

- Customer deposits in the banking business increased compared with the end of the consolidated fiscal year ended March 31, 2023, due to an increase in deposits from customers.
- Interest-bearing liabilities decreased compared with the end of the consolidated fiscal year ended March 31, 2023, despite an increase in long-term borrowings, primarily due to decreases resulting from the repayment of short-term borrowings and the redemption of corporate bonds and commercial papers.

3) Equity

Total equity at the end of this consolidated second quarter amounted to 3,405,029 million yen, having increased 87,128 million yen, or 2.6%, since the end of the consolidated fiscal year ended March 31, 2023.

The major components of the change in equity were as follows:

- Retained earnings increased compared with the end of the consolidated fiscal year ended March 31, 2023, despite a decrease due to payment of dividends, due to the increase resulting from the recognition of net income attributable to owners of the parent.
- Other accumulated comprehensive income increased compared with the end of the consolidated fiscal year ended March 31, 2023, primarily due to an increase in exchange differences on translating foreign operations as a result of the depreciation of the yen.

2. Cash Flows

At the end of this consolidated second quarter, cash and cash equivalents amounted to 1,387,310 million yen, down 264,540 million yen from the end of the consolidated fiscal year ended March 31, 2023, out of which deposits with the Bank of Japan for the banking business amounted to 238,242 million yen.

The following is a description of 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 total cash inflow of 103,420 million yen, primarily owing to the recognition of income before tax for the period under review, an increase in customer deposits in the banking business, and a refund of income taxes, despite an increase in loans for the credit card business, the payment of income taxes, and an increase in loans for the banking business.

Cash flows from investing activities amounted to a total cash outflow of 250,049 million yen, primarily due to acquisitions of

investment securities in the banking business and payments for loans receivable, despite proceeds from the sale/redemption of investment securities in the banking business as well as the collection of loans receivable.

Cash flows from financing activities amounted to a cash outflow of 126,080 million yen, primarily due to the redemption of corporate bonds, the payment of dividends, a decrease in short-term borrowings, and repayments of long-term borrowings, despite proceeds from long-term borrowings.

(3) Significant Contracts

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

(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, 2023	As of Sep 30, 2023	Increase/decrease	
	Amount	Amount	Amount	Change (%)
Assets				
Cash and cash equivalents	1,651,851	1,387,310	-264,540	-16.0
Call loans in banking business	98,000	120,000	22,000	22.4
Trade and other receivables	623,300	622,680	-620	-0.1
Inventories	31,690	32,365	674	2.1
Loans in credit card business	593,058	663,021	69,962	11.8
Investment securities in banking business	414,719	545,268	130,548	31.5
Loans in banking business	620,383	644,780	24,396	3.9
Other financial assets	447,841	445,723	-2,118	-0.5
Property and equipment	213,839	232,030	18,190	8.5
Right-of-use assets	221,221	239,683	18,462	8.3
Goodwill	2,074,779	2,070,305	-4,473	-0.2
Intangible assets	1,267,738	1,264,803	-2,934	-0.2
Investments accounted for using the equity method	191,048	258,475	67,427	35.3
Deferred tax assets	44,477	57,183	12,706	28.6
Other assets	94,772	115,743	20,971	22.1
Total assets	8,588,722	8,699,376	110,653	1.3

(Millions of yen)

	As of Mar 31, 2023	As of Sep 30, 2023	Increase/decrease	
	Amount	Amount	Amount	Change (%)
Liabilities and equity				
Liabilities				
Trade and other payables	1,351,794	1,331,232	-20,561	-1.5
Customer deposits in banking business	1,495,629	1,577,463	81,834	5.5
Interest-bearing liabilities	1,913,799	1,860,443	-53,355	-2.8
Other financial liabilities	14,729	9,996	-4,732	-32.1
Income taxes payable	31,616	41,929	10,313	32.6
Provisions	23,136	24,301	1,165	5.0
Deferred tax liabilities	240,772	235,932	-4,839	-2.0
Other liabilities	199,345	213,047	13,701	6.9
Total liabilities	5,270,822	5,294,346	23,524	0.4
Equity				
Equity attributable to owners of the parent				
Common stock	247,094	247,603	508	0.2
Capital surplus	2,046,696	2,056,832	10,136	0.5
Retained earnings	647,347	700,318	52,971	8.2
Treasury stock	-70,436	-70,050	385	—
Accumulated other comprehensive income	48,697	72,190	23,492	48.2
Total equity attributable to owners of the parent	2,919,399	3,006,895	87,495	3.0
Non-controlling interests	398,501	398,134	-367	-0.1
Total equity	3,317,900	3,405,029	87,128	2.6
Total liabilities and equity	8,588,722	8,699,376	110,653	1.3

(2) Interim Condensed Consolidated Statement of Profit or Loss

(Millions of yen)

	Six Months ended Sep 30, 2022	Six Months ended Sep 30, 2023	Increase/decrease	
	Amount	Amount	Amount	Change (%)
Revenue	784,909	871,799	86,890	11.1
Cost of sales	245,933	253,341	7,408	3.0
Selling, general and administrative expenses	441,211	516,857	75,645	17.1
Gain on transfer from business divestiture	—	10,458	10,458	—
Gain on loss of control of subsidiary	1,714	4,068	2,353	137.3
Operating income	99,478	116,128	16,649	16.7
Other non-operating income	8,064	5,326	-2,738	-34.0
Other non-operating expenses	5,774	10,308	4,533	78.5
Gain on change in equity interest	5,343	19,262	13,919	260.5
Equity in losses of associates and joint ventures	-19,428	-6,987	12,440	—
Profit before tax	87,683	123,420	35,737	40.8
Income tax expense	38,747	22,113	-16,633	-42.9
Profit for the period	48,936	101,307	52,371	107.0
Attributable to:				
Owners of the parent	40,307	93,736	53,428	132.6
Non-controlling interests	8,628	7,571	-1,057	-12.3
Profit for the period	48,936	101,307	52,371	107.0
Earnings per share attributable to owners of the parent				
Basic (yen)	5.38	12.50	7.12	132.4
Diluted (yen)	5.36	12.46	7.10	132.3

(3) Interim Condensed Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six Months ended Sep 30, 2022	Six Months ended Sep 30, 2023
Profit for the period	48,936	101,307
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	-16	-112
Equity financial assets measured at FVTOCI	51,640	763
Share of other comprehensive income of associates	-118	13
Subtotal	51,504	663
Items that may be reclassified subsequently to profit or loss		
Debt financial assets measured at FVTOCI	-935	-1,325
Exchange differences on translating foreign operations	25,252	25,272
Subtotal	24,316	23,946
Other comprehensive income, net of tax	75,821	24,610
Total comprehensive income	124,758	125,918
Total comprehensive income attributable to:		
Owners of the parent	116,120	118,448
Non-controlling interests	8,638	7,470
Total comprehensive income	124,758	125,918

(4) Interim Condensed Consolidated Statement of Changes in Equity

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 Sep 30, 2022	247,025	2,054,148	406,662	-70,492	128,976	2,766,320	303,889	3,070,210

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income	Total		
Balance at April 1, 2023	247,094	2,046,696	647,347	-70,436	48,697	2,919,399	398,501	3,317,900
Profit for the period			93,736			93,736	7,571	101,307
Other comprehensive income, net of tax					24,711	24,711	-101	24,610
Total comprehensive income for the period	—	—	93,736	—	24,711	118,448	7,470	125,918
Transactions with owners and other transactions								
Issue of common stock	508	659				1,168		1,168
Payment of dividends			-41,855			-41,855	-7,854	-49,710
Transfer of accumulated other comprehensive income to retained earnings			1,218		-1,218	—		—
Purchase of treasury stock				-0		-0		-0
Changes attributable to obtaining or losing control of subsidiaries						—	-5,838	-5,838
Changes in ownership interests in subsidiaries without losing control		2,682				2,682	4,940	7,622
Share-based payment transactions		7,819				7,819		7,819
Others		-1,025	-128	385		-767	915	147
Total	508	10,136	-40,764	385	-1,218	-30,952	-7,837	-38,789
Balance at Sep 30, 2023	247,603	2,056,832	700,318	-70,050	72,190	3,006,895	398,134	3,405,029

(5) Interim Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Six Months ended Sep 30, 2022	Six Months ended Sep 30, 2023
	Amount	Amount
Cash flows from operating activities:		
Profit before tax	87,683	123,420
Depreciation and amortization	69,761	85,942
Gain on transfer from business divestiture	—	-10,458
Gain on loss of control of subsidiary	-1,714	-4,068
Gain on change in equity interest	-5,343	-19,262
Equity in losses of associates and joint ventures	19,428	6,987
Increase (decrease) in call loans in banking business	30,000	-22,000
Increase (decrease) in trade and other receivables	17,404	-3,031
Increase (decrease) in trade and other payables	-9,599	5,225
Increase (decrease) in loans for credit card business	313	-69,962
Increase in loans in banking business	-86,506	-24,396
Increase in customer deposits in banking business	52,743	81,834
Others	-36,708	-19,893
Subtotal	137,462	130,336
Interest and dividends received	769	2,492
Interest paid	-5,083	-5,956
Income taxes—paid	-49,187	-49,045
Income taxes—refunded	1,571	25,591
Net cash generated by operating activities	85,532	103,420
Cash flows from investing activities:		
Purchase of investment securities in banking business	-69,216	-230,412
Proceeds from sales/redemption of investment securities in banking business	135,110	102,701
Payments for loans receivable	-4,102	-42,699
Collection of loans receivable	249	41,160
Others	-37,323	-120,798
Net cash used in (generated by) investing activities	24,717	-250,049
Cash flows from financing activities:		
Net decrease (increase) in short-term borrowings	82,600	-72,699
Proceeds from long-term borrowings	107,699	151,408
Repayments of long-term borrowings	-33,575	-49,748
Redemption of corporate bonds	-60,000	-80,000
Proceeds from issuance of commercial papers	309,000	235,000
Redemption of commercial papers	-289,000	-249,000
Dividends paid	-43,547	-41,852
Repayment of lease liabilities	-17,183	-19,767
Others	55,725	577
Net cash used in (generated by) financing activities	111,718	-126,080
Effects of exchange rate changes on cash and cash equivalents	9,523	8,168
Net decrease (increase) in cash and cash equivalents	231,492	-264,540
Cash and cash equivalents at the beginning of the period	1,127,523	1,651,851
Cash and cash equivalents at the end of the period	1,359,016	1,387,310

(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 Group are consistent with those described in the consolidated financial statements for the previous consolidated fiscal year.

3. Gain on transfer from business divestiture

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

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

4. Gain on loss of control of subsidiary

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

On August 31, 2023, JDW Co.,Ltd. ceased to be a subsidiary of the Company and newly became an affiliated company under the equity method of accounting as a result of a third-party investment in JDW Co.,Ltd., which had the effect of decreasing the Group's equity ratio in JDW Co.,Ltd. Consequently, the company recorded a gain on loss of control of subsidiary.

Provisional accounting treatment has been applied based on reasonable information available at the end of this consolidated second quarter.

5. Gain on change in equity interest

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

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

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

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

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