Security Code: 4689

Z Holdings Corporation Business Results

FY2021 Q1

August 3, 2021

Z HOLDINGS

Revenue and income both increased, driven by the growth of Advertising/Commerce Businesses due to integration with LINE, etc.

Revenue: JPY373.3 B (YoY +36.3%) – the highest first quarter revenue

Adjusted EBITDA: JPY86.3 B (YoY+11.2%)

Consolidated Results	• **Group Total advertising revenue YoY+68.4%**, as a result of significant growth in advertising business due to LINE integration, recovery in advertisers' demand, and digital shift in advertisers' sales promotion & ad budgets, etc. • **EC transaction value YoY+15.5%,** due to LINE integration and growth in Reuse business • **LINE achieved a consolidated operating profit for the third consecutive quarter** since FY2020 Q3, excluding one-time gains and losses
Topics	• **Steady progress made in PMI** Service collaborations beginning in all segments (Media/Commerce/Strategic) to generate synergies • Scheduled to **acquire Yahoo! related trademark, licensed technology, etc., in Japan** in second half of 2021, providing the ZHD Group with greater flexibility in the uses of the brand and licensed technology, and business development without royalty payments

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2 Topics/Business Results – By Segment

3 International Business Development

4 FY2021 Business Results Forecast

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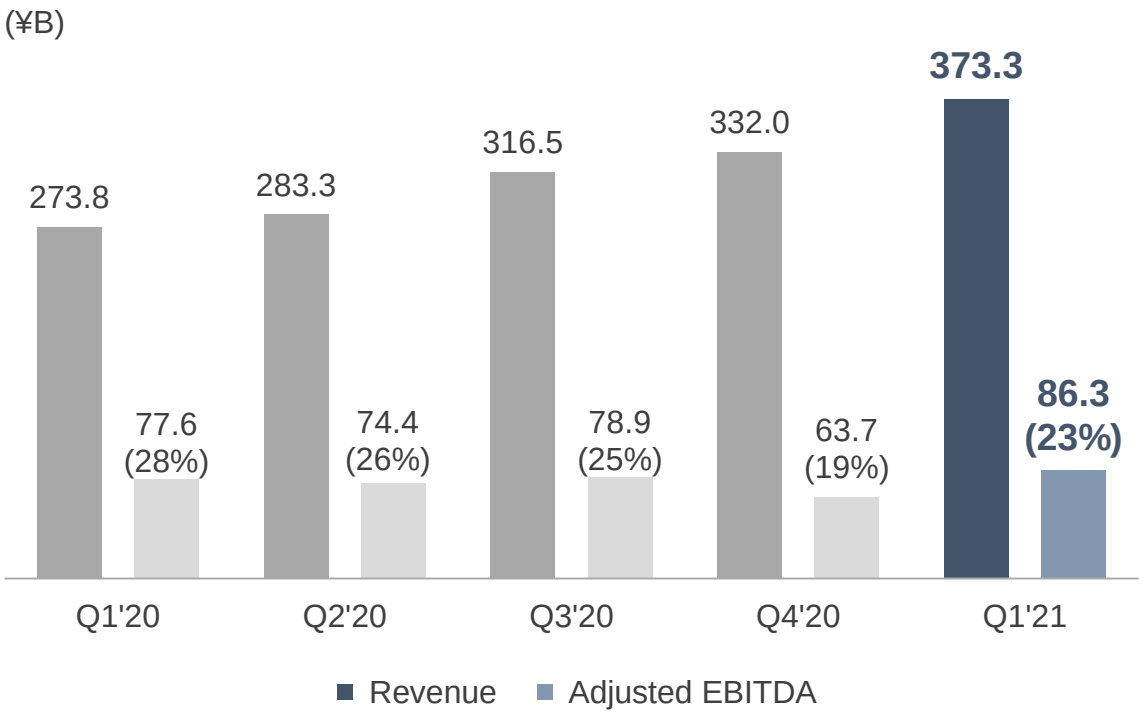
FY2021 Q1 Consolidated Business Results

Whole Group

- **Both revenue and adjusted EBITDA increased** due to positive impacts from integration with LINE, etc.

Item	FY2020 Q1	FY2021 Q1	YoY
Revenue	273.8 (¥B)	**373.3 (¥B)**	***+36.3%***
Adjusted EBITDA[1]	77.6 (¥B)	**86.3 (¥B)**	***+11.2%***
Adjusted EPS[2]	5.11 (¥)	**3.56 (¥)**	***-30.3%***

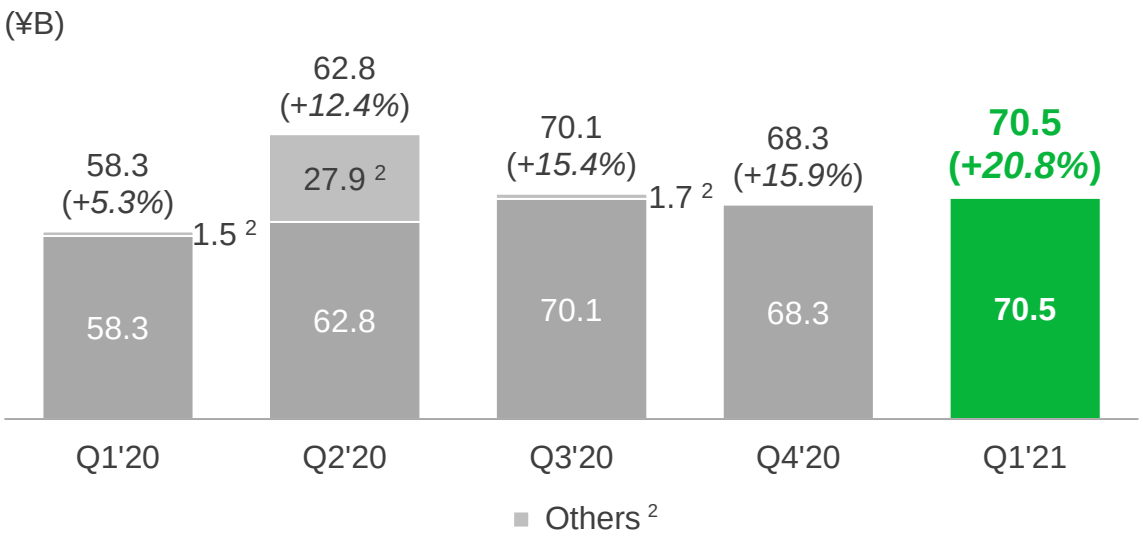
Revenue & Adjusted EBITDA[1] (Adjusted EBITDA Margin)



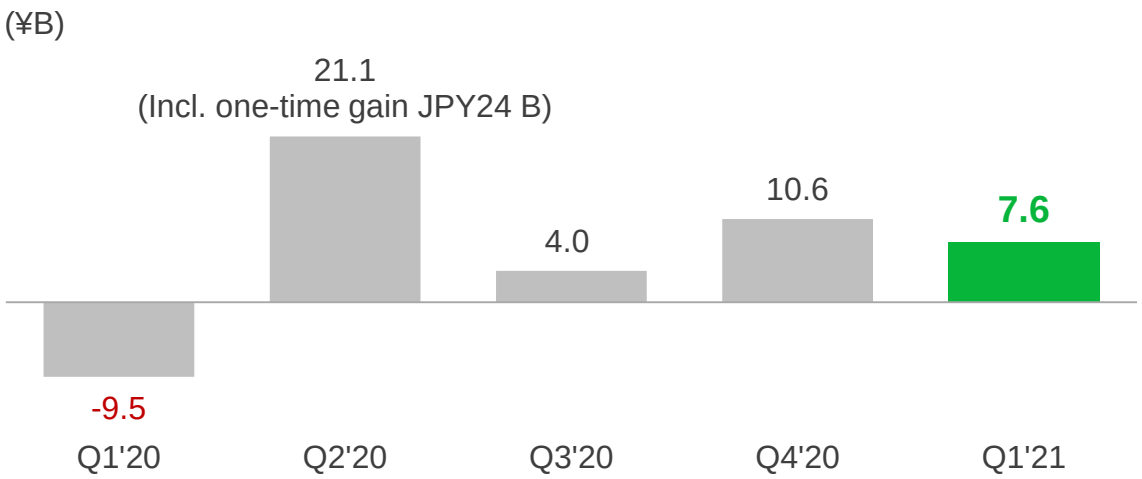
1. Operating income + depreciation & amortization ± EBITDA adjustment items
2. Adjusted net income/Average number of common stocks outstanding (quarterly cumulative)
   EBITDA adjustment items: Gains/losses on non-recurring and non-cash transactions within operating revenue and expenses (loss on retirement 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 for certain adjustment items

- **Achieved operating profit, without one-time gains and losses**, due to growth in the Advertising business and streamlining of marketing expenses, etc.
- Continue to aim for **full year operating profit** by balancing the growth in the Advertising business with disciplined investments

Revenue (YoY)



Operating Income

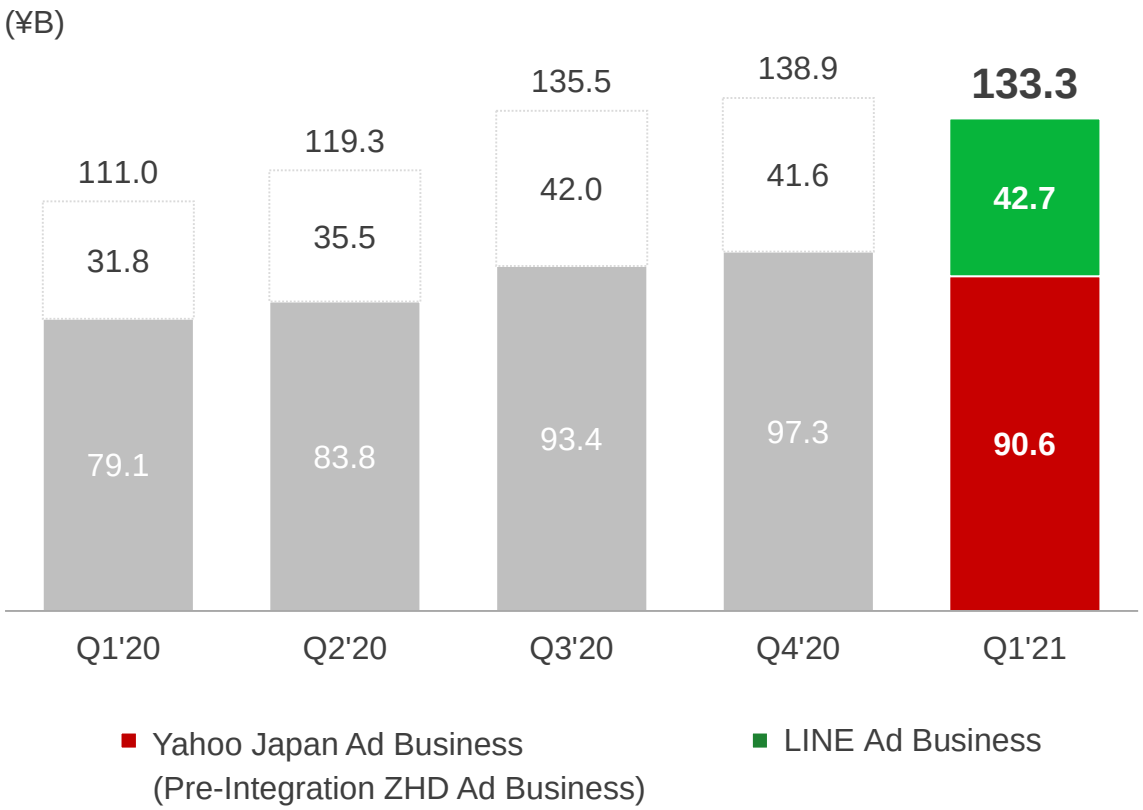


1. Quarterly results are coincided with the accounting period of Z Holdings Corporation (fiscal year ending in March). Figures are before consolidation adjustments by Z Holdings and do not include amortization of PPA (identifiable intangible assets) associated with the business integration. Accounting definitions have been changed since March 2021; past figures have not been retrospectively adjusted.
2. Mainly other operating income (mainly one-time gain due to loss of control of subsidiaries, etc.)

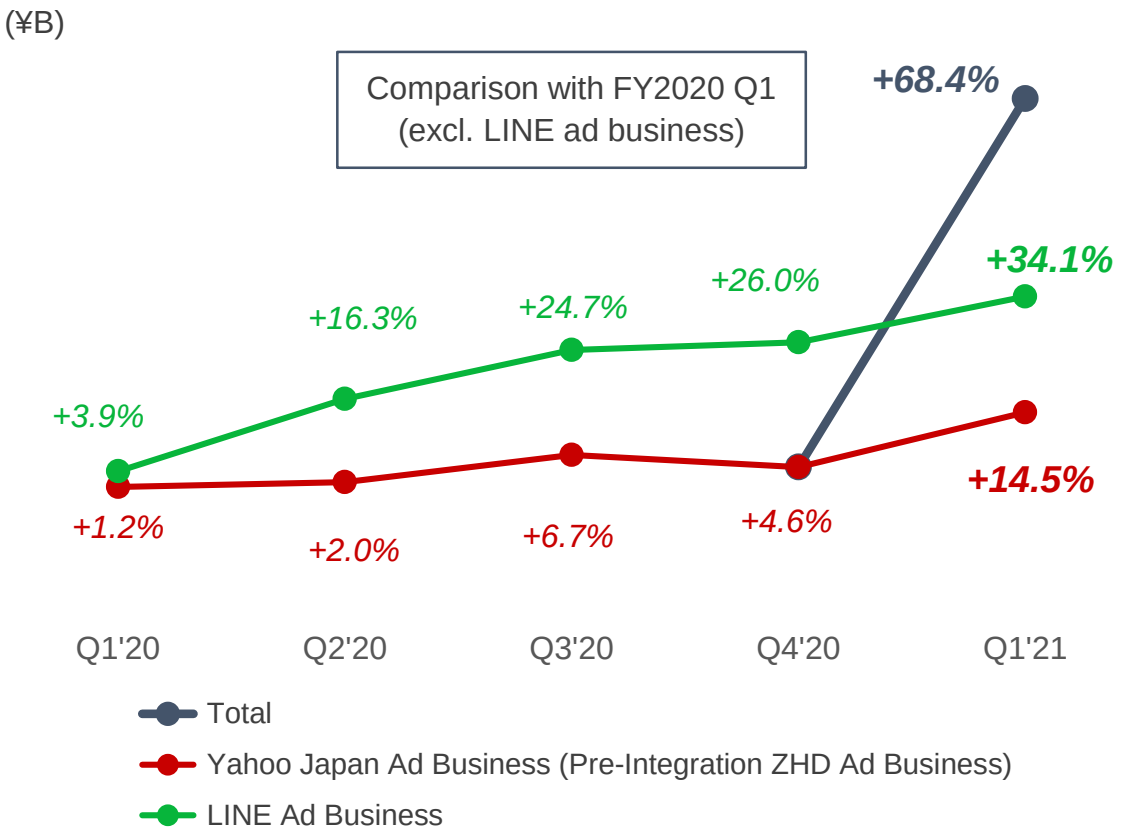
Whole Group – Total Advertising Revenue

- In addition to impact of LINE integration, recovery in advertisers' demand and digital shift in advertisers' sales promotion & ad budgets, etc., drove revenue to **JPY 133.3 B (YoY+68.4%)**

Group Total Advertising Revenue



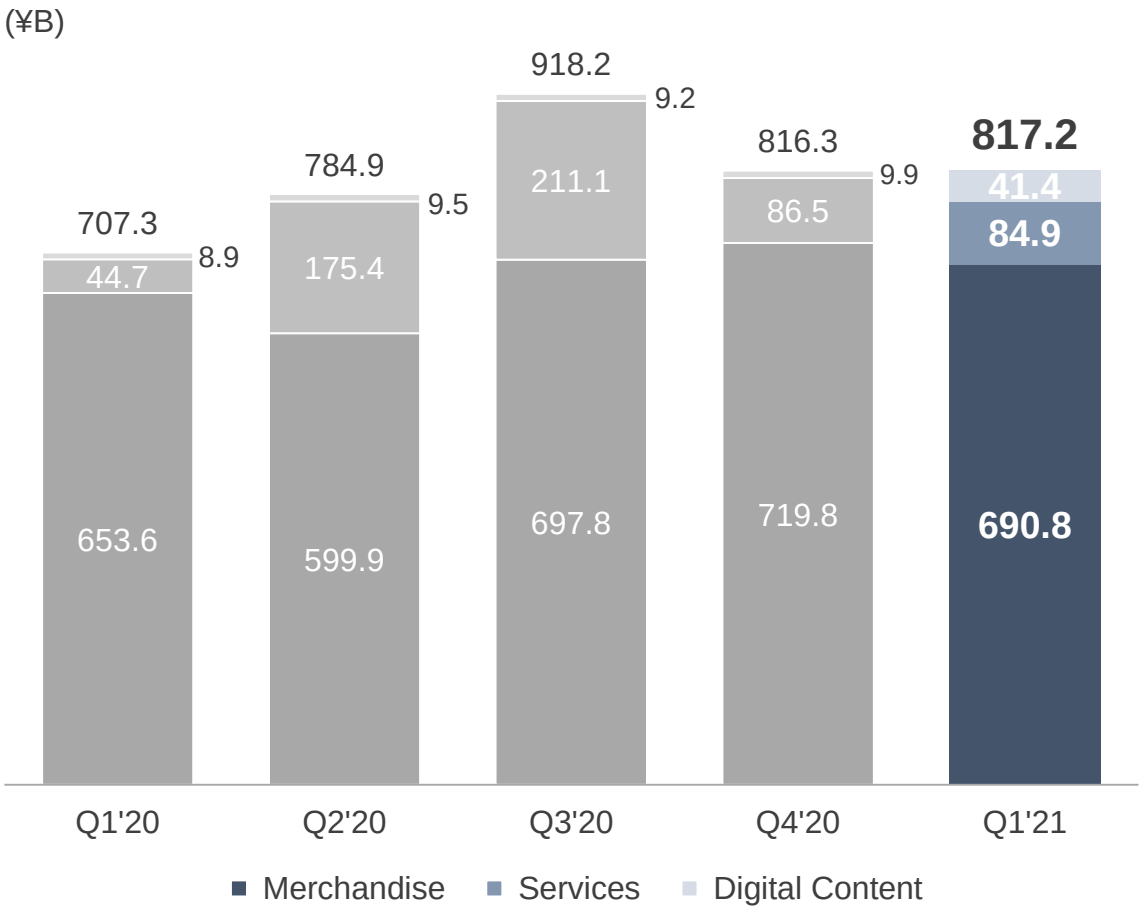
Group Total Advertising Revenue – YoY Growth Rate



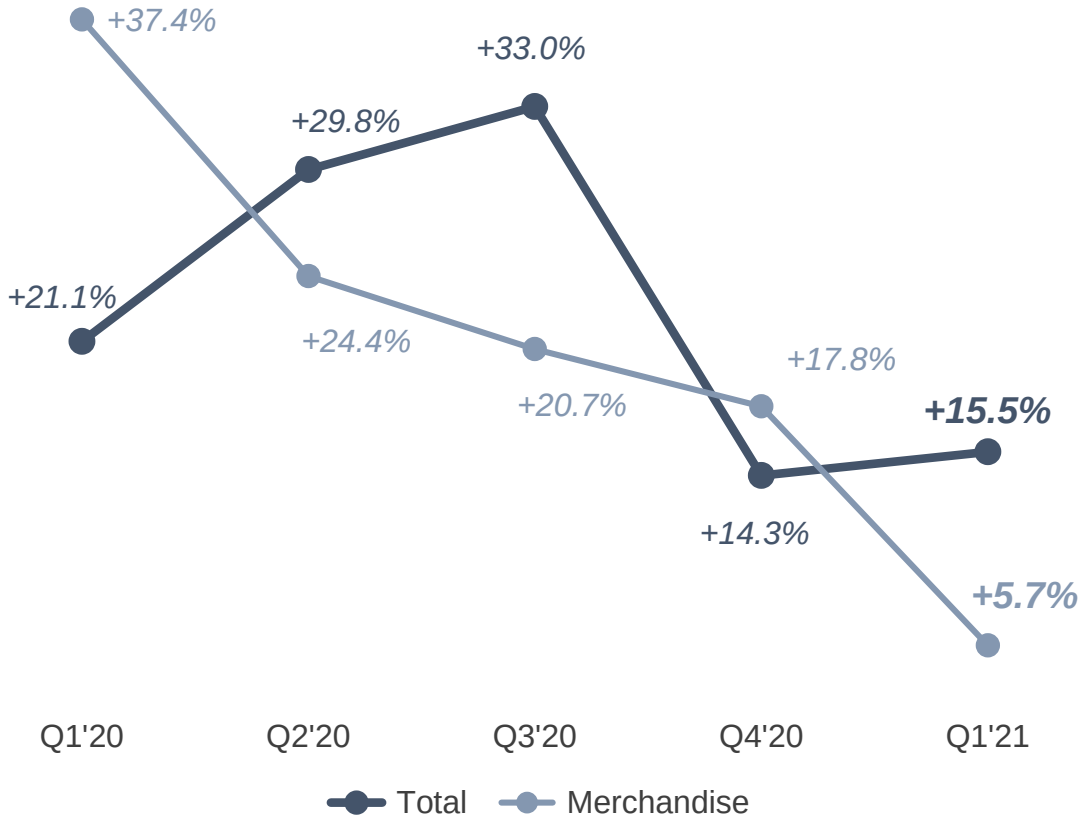
Whole Group – EC Transaction Value

- Achieved **JPY817.2 B (YoY+15.5%)** due to expansion of each transaction value driven by LINE integration, etc.

EC Transaction Value [1]



EC Transaction Value - YoY Growth Rate



1. Please refer to P.58 for definition of transaction value

Measures to Increase the No. of LINE Official Account

Whole Group

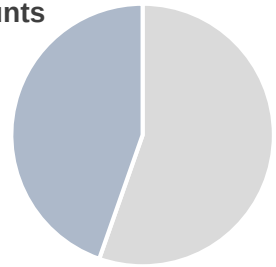
- **Began fully introducing** LINE Official Account as Z Holding's **BtoC communication infrastructure**
- Aim to accelerate top-line growth in each business by increasing the no. of accounts

Cross-sell to Yahoo Japan Ad Clients

YAHOO! JAPAN

About half of top 400 Yahoo Japan clients do not have LINE Official Accounts[1]

w/o LINE Official Accounts
183



w/ LINE Official Accounts
217

LINE Official Account

Introduce to Merchants of Shopping Business and PayPay

YAHOO! JAPAN Shopping
PayPay Mall

Applications began on July 8, 2021

No. of stores that applied: 13,773 (As of July 28)

(Percentage to transaction value[2] Approx. 50%)

PayPay

Plan to newly introduce to merchants and expand usage

Media Business

- ► **Establish 1:1 full-funnel marketing solution**
- ► **Expand account ads revenue**

Commerce Business

- ► **Expand transaction value of Shopping business**

1. Result for FY2020
2. Total transaction values of Yahoo! JAPAN Shopping and PayPay Mall in FY2020

Conclusion of Master Agreement Regarding YAHOO! JAPAN LICENSE AGREEMENT

Whole Group

- **Existing YAHOO! JAPAN LICENSE AGREEMENT will be terminated** upon the closing of the sales of Verizon Media (expected in second half of 2021), etc.
- **Enables greater flexibility in the use of brand, technology and business development**

Outline of Master Agreement

- Acquisition of trademark rights related to Yahoo and Yahoo Japan, in Japan
- Acquisition of paid-up perpetual right to use existing licensed technology in Japan, with ongoing technical support during a post-transaction services period
- Termination of YAHOO! JAPAN LICENSE AGREEMENT
  - ※ Collaborative relationship with Verizon on business and technology will continue

Financial Impact

B/S

Consideration for the transaction: JPY 178.5 B

- ► Most part: trademark rights (IFRS: non-amortized)
- ► Partially: technology-based assets (IFRS: amortized)
- ► Source of funds: TBD
  (Allocation from cash on hand, financing, etc.)

P/L

Decrease in royalties in SG&A

Amortization of technology-based assets

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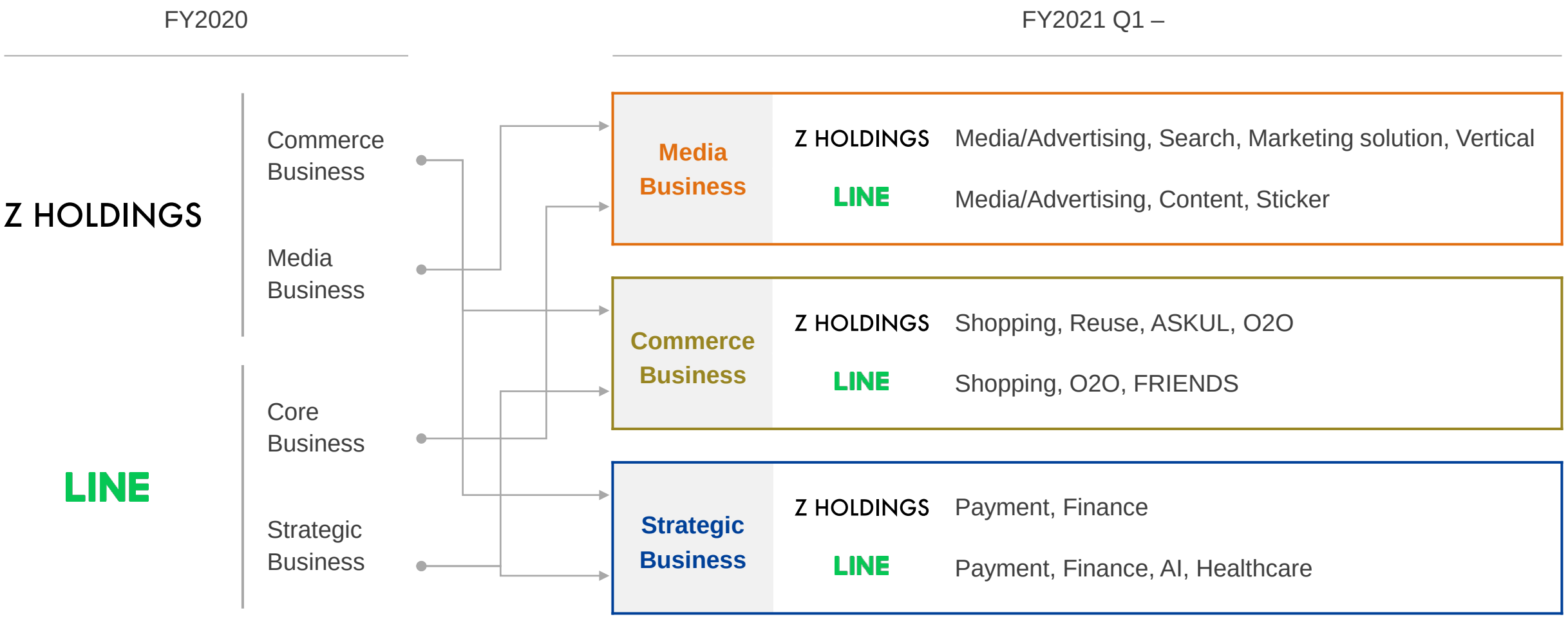
Change in Reporting Segments

Whole Group

- Introduced **3 new business segments: Media, Commerce & Strategic** by classifying businesses according to the growth phase of each business



Media Business

Business Targets

Pursue full-funnel, 1:1 marketing

- Ad revenue: aim for YoY double-digit growth (including sales promotional products, etc.)
- Adjusted EBITDA margin: 40-50% as a guide

Major Strategies/Focus Areas to Achieve Business Targets

Generate new revenue sources through development & deployment of advertising/sales promotional products

- Leverage group assets to provide comprehensive marketing solutions from customer acquisition, purchase to CRM

Increase value of existing advertising through collaboration/integration of Yahoo Japan and LINE assets

- Mutual distribution of advertisements and improvement of advertisement distribution accuracy through data linkage between the two companies
- Maximization of reach and efficiency through integration of ad platforms, and realization of cost synergies

Status of Business Strategy:
Generate New Revenue Sources Through Development & Deployment of Advertising/Sales Promotional Products

Media Business

- **Accelerate increase in LINE Official Account** to establish 1:1 full-funnel marketing

Desired Future of Media Business

1:1 marketing that effectively & continuously approaches each user

	Awareness	Purchase	Special offers	Repurchase
Online	●	●	●	●
Offline		●		●
	YAHOO! JAPAN	PayPay	LINE Official Account	PayPay

Measures to Increase the No. of LINE Official Accounts

1 **Promote introduction of LINE Official Account to merchants of Shopping business**

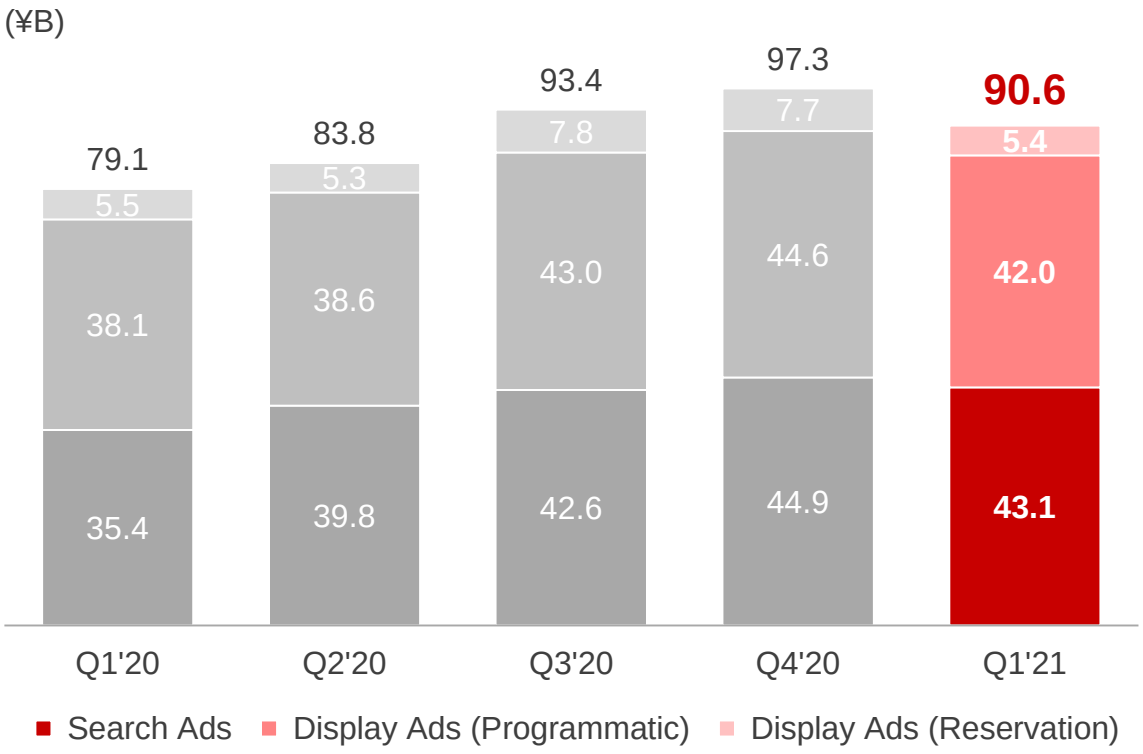
- Applications began on July 8, 2021
- Implemented push notification, inquiry by LINE
  - ✓ Approx. 4 times higher open rates than traditional store newsletters
  - ✓ Chat commerce feature to be sequentially launched
  - ✓ Plan to introduce also to PayPay merchants and expand usage

2 **Cross-sell LINE Official Account to Yahoo Japan's ad clients**

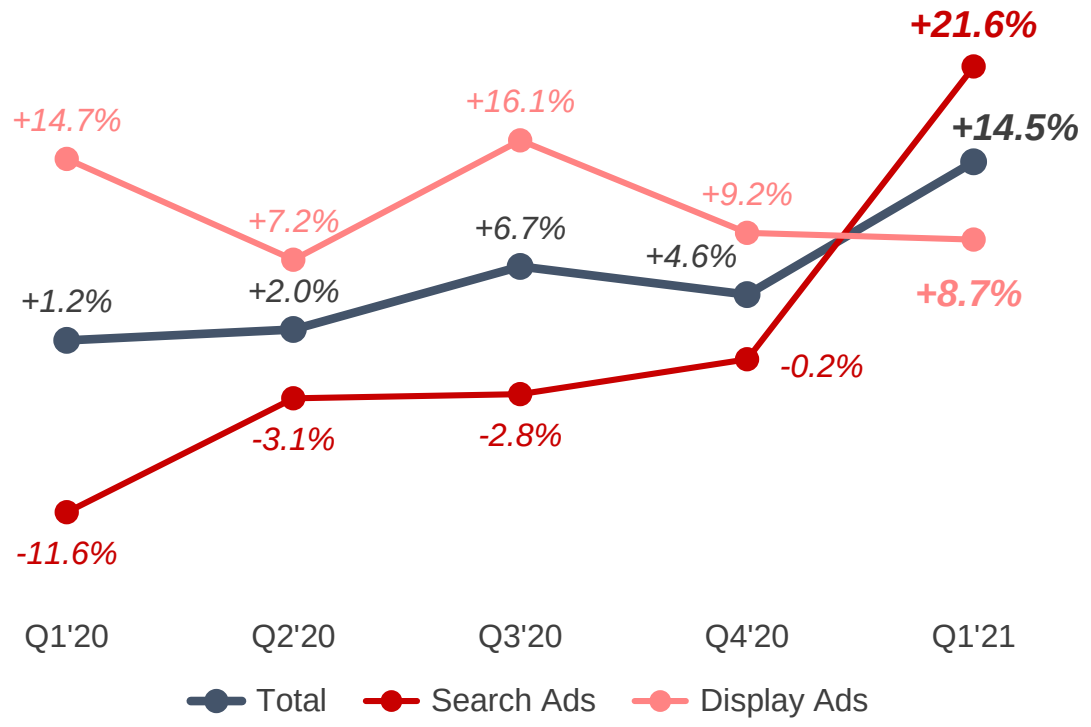
- About half of top 400 Yahoo Japan clients do not have LINE Official Accounts

- Although the impact of COVID-19 continues in certain industries, **capturing of rebounding demand in the overall market and product improvements, etc., have resulted in strong performance**
- **Significantly exceeded** pre-pandemic level of **FY2019 Q1 (JPY78.2 B)**

Total Advertising Revenue

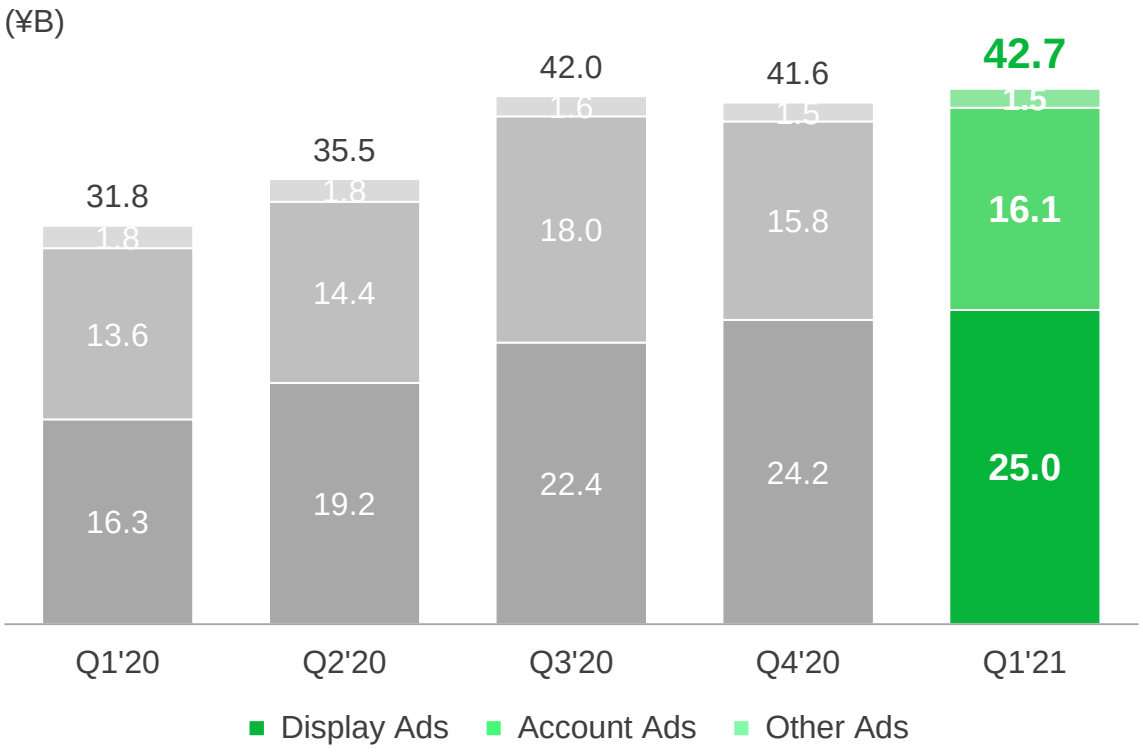


Total Advertising Revenue - YoY Growth Rate

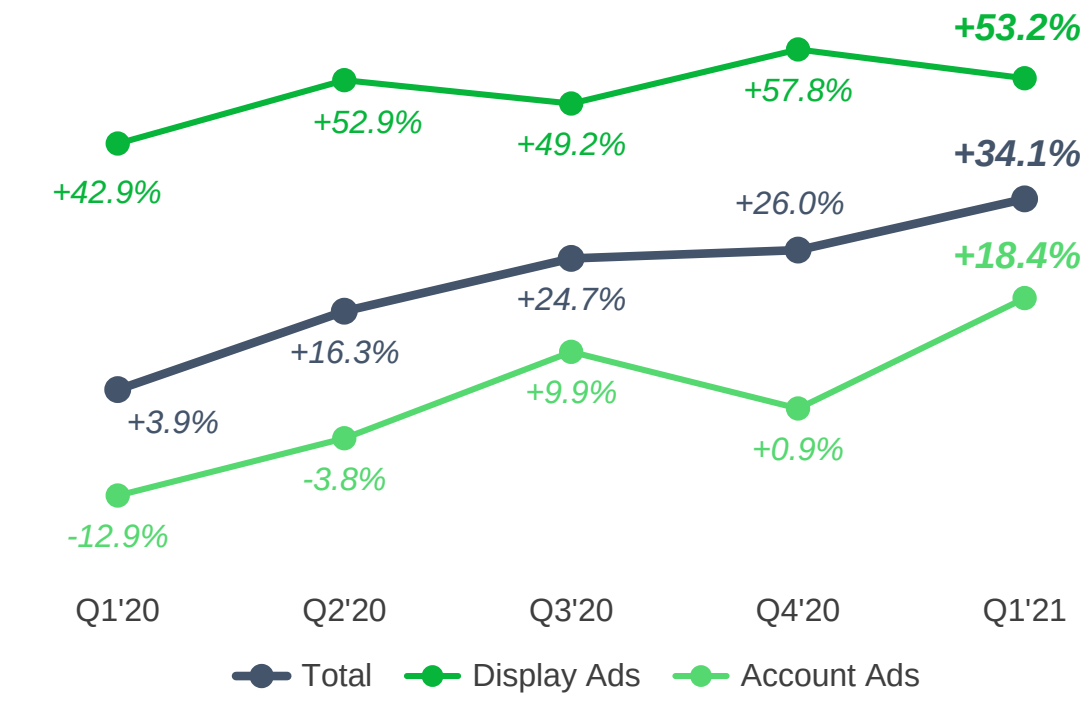


- Performing favorably due to measures to improve products and distribution logic, etc.
- **Aim for further growth in Display ads by improving unit prices and in Account ads by increasing the number of charged accounts**

Total Advertising Revenue[1]



Total Advertising Revenue - YoY Growth Rate[1]



1. Quarterly results are coincided with the accounting period of Z Holdings Corporation (fiscal year ending in March)

Business Results (P/L)

Media Business

(JPY Million)	FY2020 Q1	FY2021 Q1	YoY
Revenue	**75,694**	**148,424**	***+96.1%***
Yahoo Japan (pre-integration ZHD) Advertising revenue	**65,988**	**76,763**	***+16.3%***
Search advertising	35,568	43,331	*+21.8%*
Display advertising (Programmatic) [1]	26,139	28,909	*+10.6%*
Display advertising (Reservation)[1]	4,280	4,522	*+5.7%*
LINE Advertising revenue	**N/A**	**42,718**	***N/A***
Display advertising	N/A	25,071	*N/A*
Account advertising	N/A	16,116	*N/A*
Other LINE advertising	N/A	1,530	*N/A*
Other revenue (Vertical/entertainment/digital content/communication, etc.)	**9,706**	**28,941**	***+198.2%***
Cost of sales	**20,231**	**32,641**	***+61.3%***
Selling, general and administrative expenses	**22,207**	**58,708**	***+164.4%***
Sales promotion cost + Advertising and promotional expenses	1,702	5,442	*+219.6%*
Other selling, general and administrative expenses	20,504	53,265	*+159.8%*
Other revenue and expenses	**-27**	**-**	***N/A***
Adjusted EBITDA (Margin)	**35,285 (46.6%)**	**62,409 (42.0%)**	***+76.9%***
Yahoo Japan Adjusted EBITDA (Margin)	**35,285 (46.6%)**	**37,906 (43.3%)**	***+7.4%***
LINE Adjusted EBITDA (Margin)	**N/A**	**24,502 (40.3%)**	***N/A***

1. Excludes Shopping-related advertising revenue and advertising revenue of ZOZO, Inc. (Recorded in Commerce Business segment)

Commerce Business

Business Targets

Aim to maximize transaction value by refining fundamental value

- Aim to become No.1 in domestic EC (merchandise) transaction value in Japan, in early 2020's
- Strengthen social commerce using LINE; our new growth driver

Major Strategies/Focus Areas to Achieve Business Targets

Enhance user experience through improvement of essential service quality

- Improve logistics/delivery quality through collaboration with YAMATO HOLDINGS
- Promote new measures using Demae-can's last mile logistics network
- Unify point-provision system, integrate group-wide loyalty program

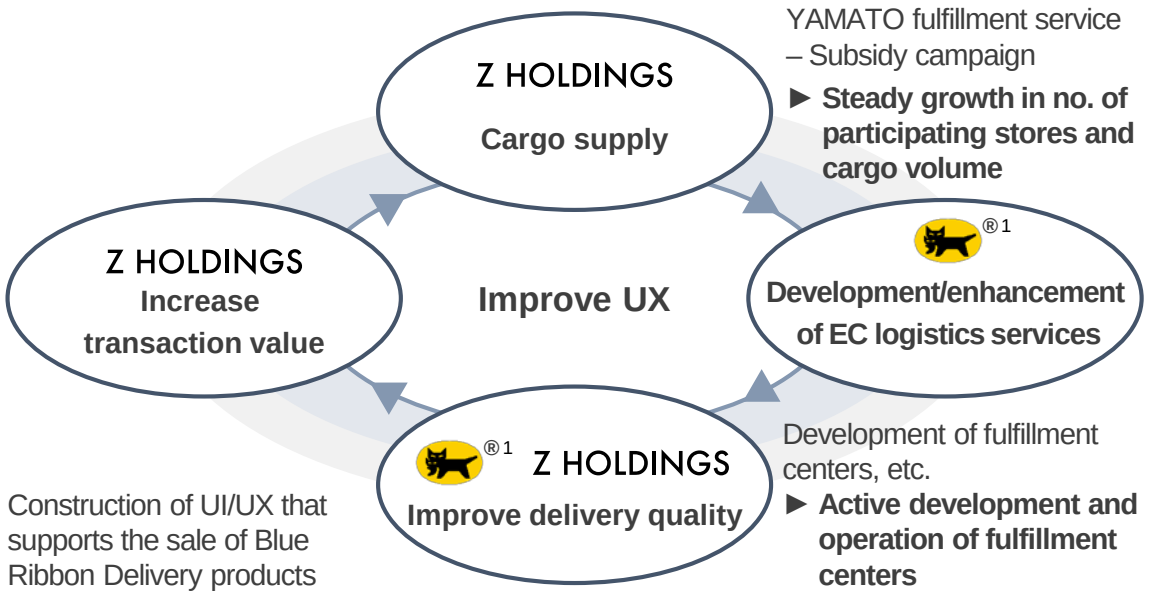
Differentiate from competitors through development of social commerce, etc., utilizing LINE

- Create new EC experiences (e.g. LINE GIFT, team purchase, live commerce, etc.)
- Develop EC market in own domain through Smart Store Project

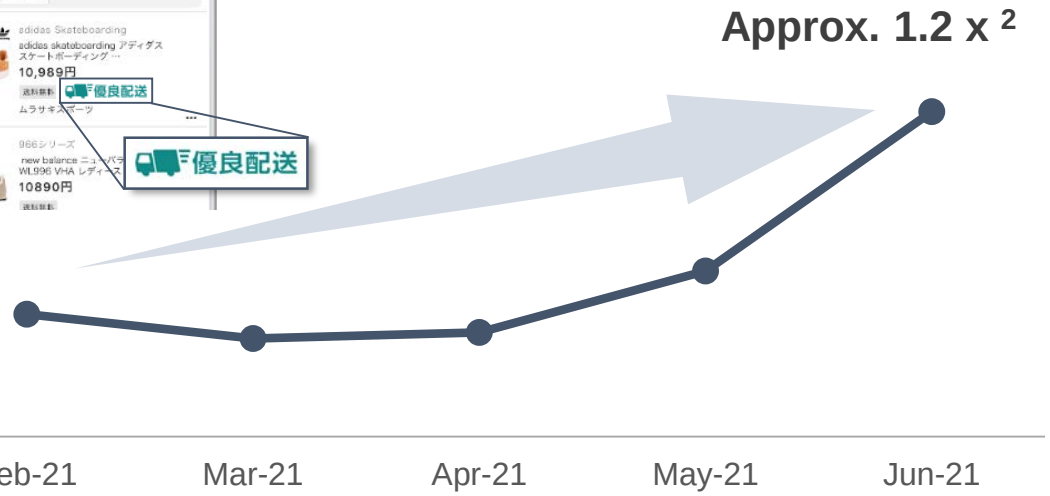
Status of Business Strategy: Enhance User Experience Through Improvement of Essential Service Quality

- **Aim to improve delivery quality** and sustainably enhance user experience **through collaboration with YAMATO HOLDINGS CO., LTD. (“YAMATO”)**
- **% of Blue Ribbon Delivery in transaction value has been growing steadily** since the start of this collaboration

Collaboration with YAMATO - Overview



% of Blue Ribbon Delivery[3] in Total Transaction Value



1. Trademark of YAMOTO HOLDINGS CO., LTD.
2. Comparison between February 2021 (when Blue Ribbon Delivery began) and June 2021
3. Products that meet certain standards set by Yahoo Japan, such as shipping delay rate and speed from order receipt to shipment, are given Blue Ribbon Delivery label. (Same day delivery or within 2 days of order date, stores whose shipping delay rate is less than 5%)

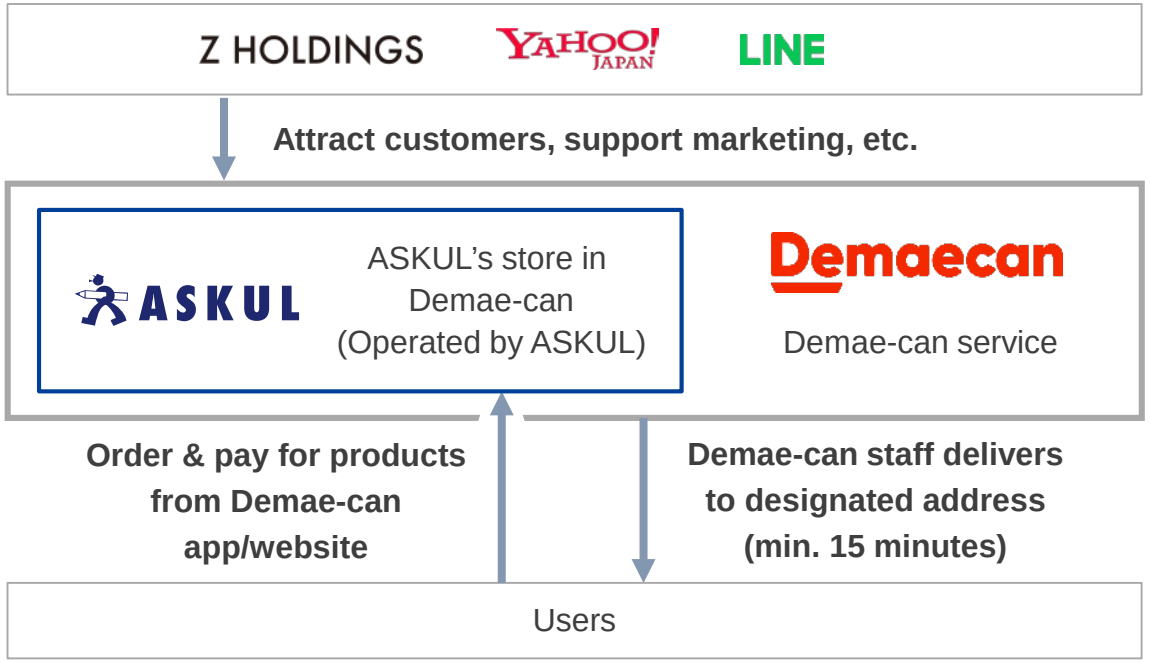
- **Began demonstration experiment[1] on instant delivery service of daily necessities, "PayPay Direct by ASKUL,"** in collaboration with ASKUL and Demae-can
- Understand the instant delivery needs in the last mile, **consider expanding products handled and target areas as well as extending to other services**

Outline of Demonstration Experiment

PayPay Direct

Experiment Period	**July 28, 2021 –**
Target Area	**Some areas including areas in Itabashi Ward, Tokyo**
Products Handled	**Approx. 300 types (planned)** • Daily necessities (e.g. laundry products, cleaning products, batteries, baby products, hygiene products, pet products, etc.) • Food and beverages (e.g. chilled food (planned), frozen food, cup noodles, pouched food, bread, juice, alcoholic beverages, etc.)

Instant Delivery - Structure



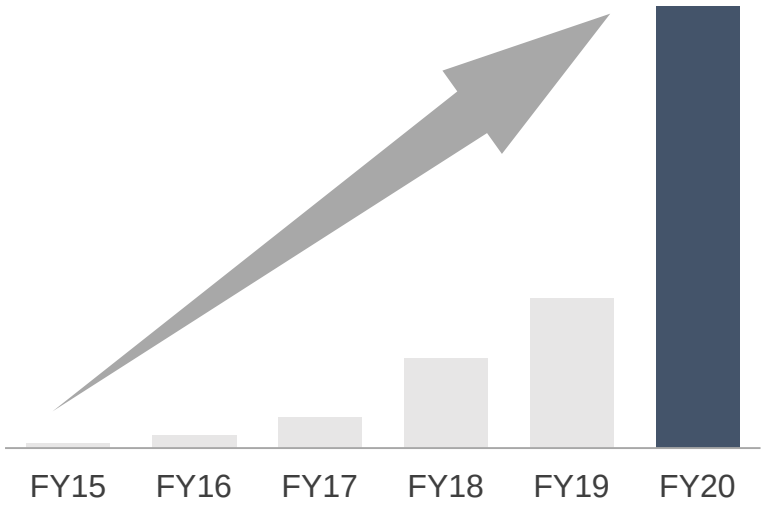
1. May be terminated early as this is a demonstration experiment

Status of Business Strategy: Differentiate from Competitors Through Social Commerce, Etc. Using LINE

Commerce Business

- **Rapid increase in transaction value** since launch of LINE GIFT[1]. **Marketing activities to go into full swing in stages.**
- **Aim to expand lineup through group synergies** (e.g. Introduction to ZOZOTOWN, Yahoo! JAPAN Shopping)

LINE GIFT – Transaction Value



FY2021 Q1 YoY+203%
May 2021: Successful Mother's Day campaign

Future Measures (Overview)

LINE YAHOO! JAPAN

Strengthen sales to tenants of Yahoo! JAPAN Shopping utilizing Yahoo Japan's sales force (August 2021 onwards)

Sales force

Strengthen sales

Tenants of Yahoo! JAPAN Shopping

List products

LINE GIFT

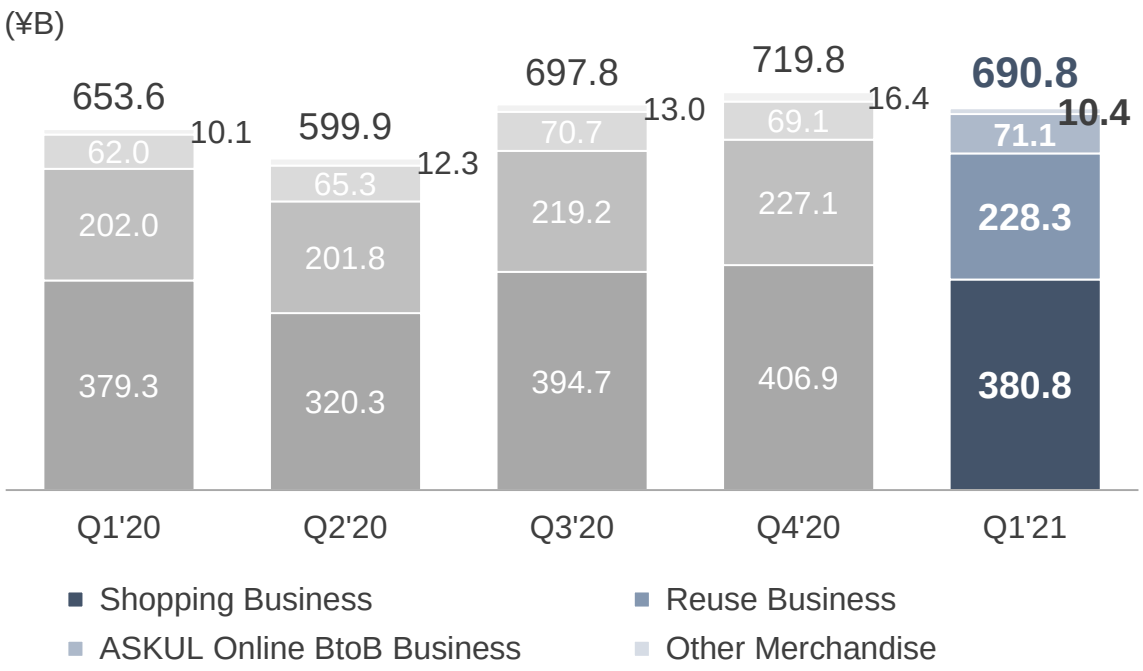
LINE ZOZO

Plan to introduce all products of "ZOZOTOWN PayPay Mall Store" to LINE GIFT (Second half of 2021 onwards)

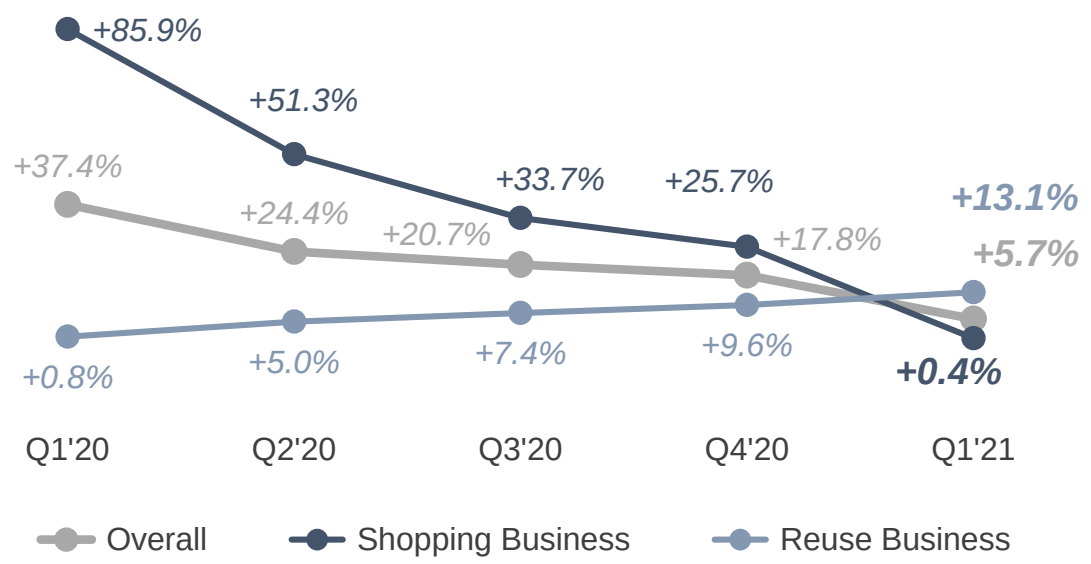
1. A service that allows users to give gifts to family and friends connected through LINE. Two types of gifts: "E-Gifts" – casually priced and suitable for gifts; "Delivery Gifts" – available in wide price ranges to suit various purposes.

- Shopping business transaction value **maintained positive growth** despite difficulty in overcoming the level of the same quarter last year
- Reuse business transaction value **achieved double digit growth due to higher spend per YAHUOKU! user and steady expansion of PayPay Flea Market**

Merchandise Transaction Value[1]



Merchandise Transaction Value[1] – YoY Growth Rate



1. Please refer to P.58 for definition of transaction value

Business Results (P/L)

Commerce Business

(JPY Million)	FY2020 Q1	FY2021 Q1	YoY
Revenue	**175,327**	**195,979**	***+11.8%***
Merchandise EC	**140,168**	**160,006**	***+14.2%***
Shopping business	65,293	74,810	*+14.6%*
Reuse business	12,842	14,034	*+9.3%*
ASKUL online BtoB business	62,033	71,161	*+14.7%*
Services EC	**956**	**2,837**	***+196.7%***
Other	**34,201**	**33,134**	***-3.1%***
Cost of sales	**78,068**	**85,223**	**+9.2%**
Selling, general and administrative expenses	**65,869**	**88,118**	**+33.8%**
Sales promotion cost + Advertising and promotional expenses	11,567	25,216	*+118.0%*
Other selling, general and administrative expenses	54,302	62,902	*+15.8%*
Other revenue and expenses	**-7**	**-**	***N/A***
Adjusted EBITDA (Margin)	**41,459 (23.6%)**	**35,420 (18.1%)**	***-14.6%***

Strategic Business

Business Targets

Create new revenue pillars around Fintech

- More than YoY+20% increase in revenue
- In the future, achieve JPY 100 B-level adjusted EBITDA

Major Strategies/Focus Areas to Achieve Business Targets

Establish basis for monetization by expanding the user base of PayPay

- Expand user base and create cost synergies by integrating Japan’s QR/barcode payment businesses
- Execute efficient marketing in line with business phases

Monetize various financial services in PayPay ecosystem

- Develop financial services under PayPay brand, provide various financial products through multi-partnership strategy

Status of Business Strategy: Establish Basis for Monetization by Expanding the User Base of PayPay

Strategic Business

- From August 17, **payment with LINE Pay will be available in PayPay merchants** (merchant presented mode only)
- Improve usability and **maximize the Group's overall payment GMV** by increasing locations where the services can be used

LINE Pay

No. of users in Japan

Approx. 40 mil

PayPay

Merchants

3.34 mil locations

Advantages

Users

- Expansion of locations where the service can be used

Merchants

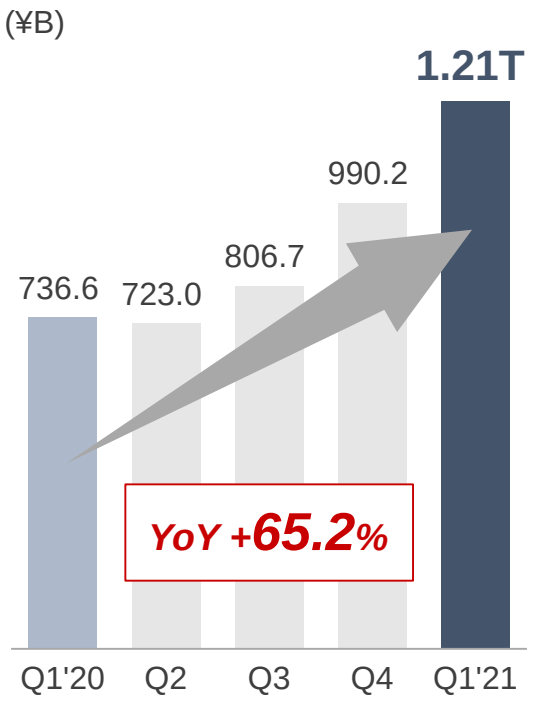
- Able to attract LINE Pay users without introducing new system and additional operational burden
  - ► Integrated management using payment management tool for merchants: "PayPay for Business"

Z Holdings

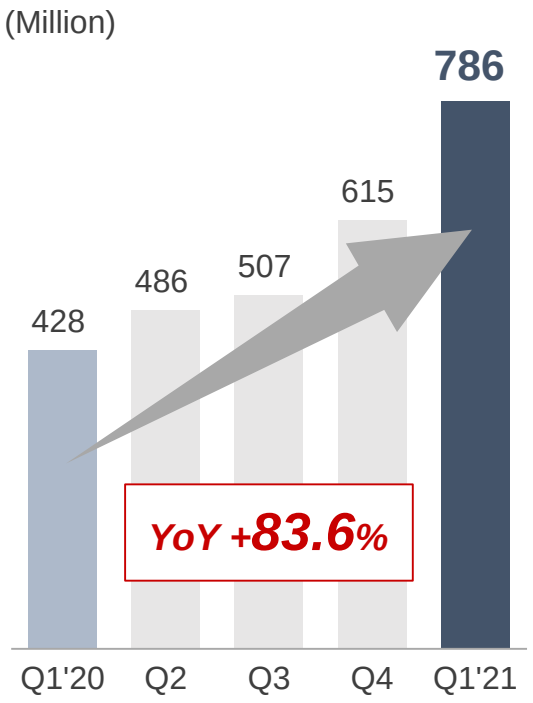
- Expansion of payment GMV
- Further increase in the no. of users in preparation for the integration of QR/barcode businesses in Japan (under discussion)

- Various KPIs continue to perform well, **driving the growth of the cashless payment market**
- **Quarterly PayPay GMV grew to JPY1.2 T, driven by expansion of users and frequency of use which increased the no. of payments**

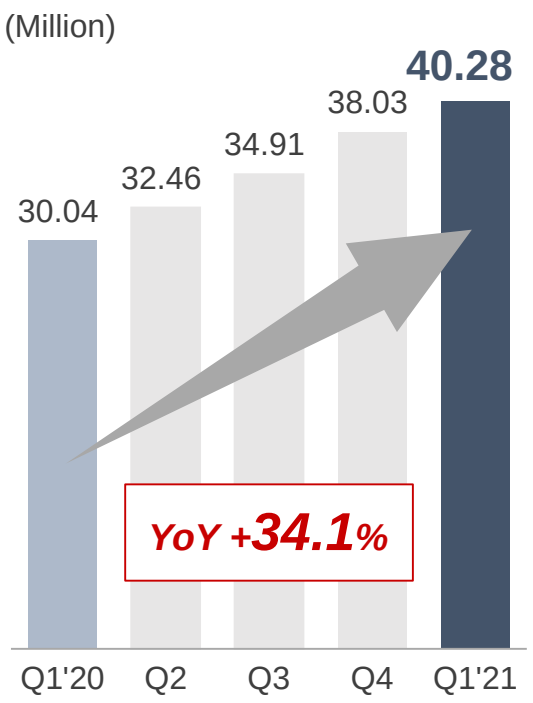
PayPay GMV
(Quarter)



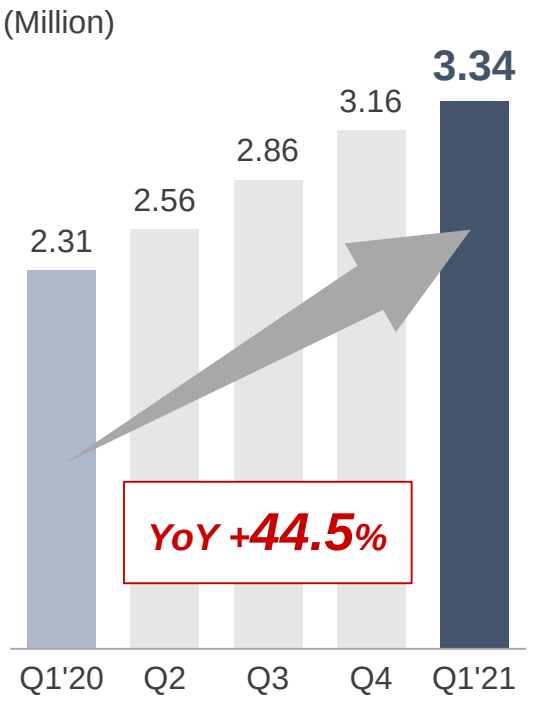
No. of PayPay Payments
(Quarter)



Cumulative PayPay Registered Users (Quarter-End)



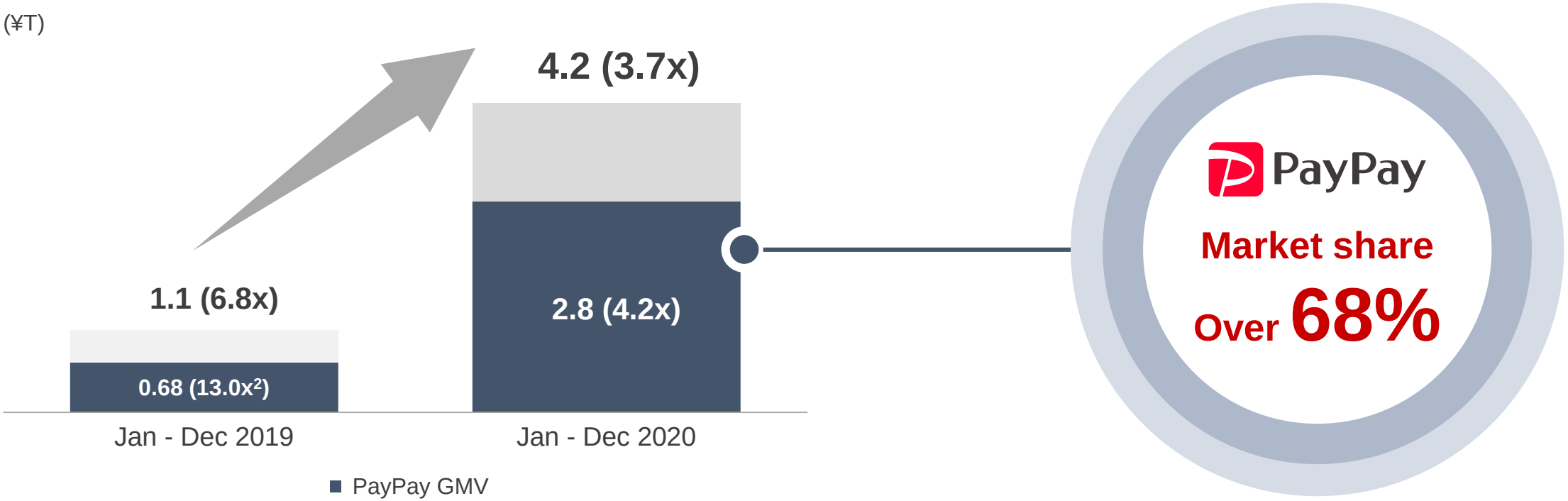
No. of PayPay Merchants[1]
(Quarter-End)



1. No. of merchant applications to PayPay (e.g. stores, taxis)

- **Japan's QR/barcode payment market is growing rapidly,** expanding the base of cashless payments
- **PayPay's growth exceeded the market growth rate, with a market share of over 68%. Further expansion to come.**

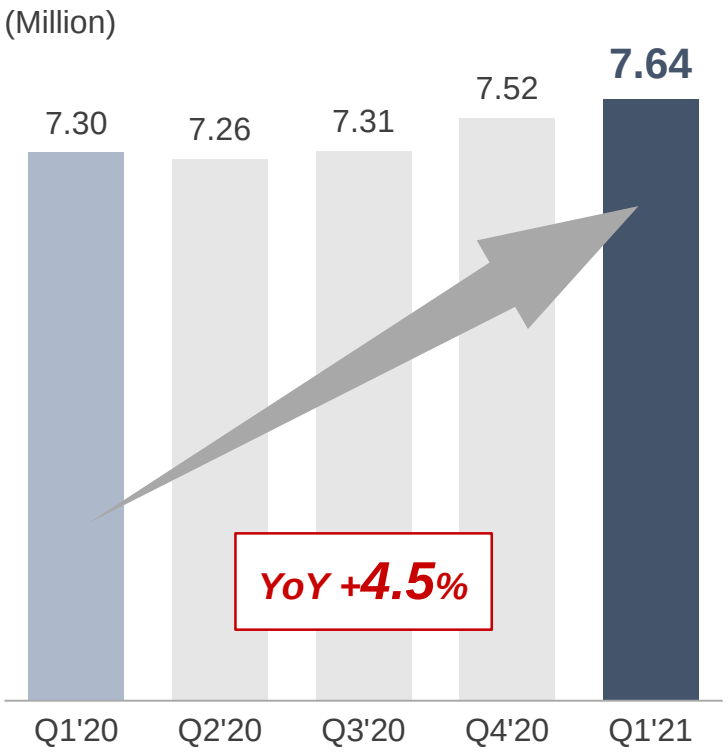
Japan's QR/Barcode Payment Market – Payment GMV[1] (YoY)



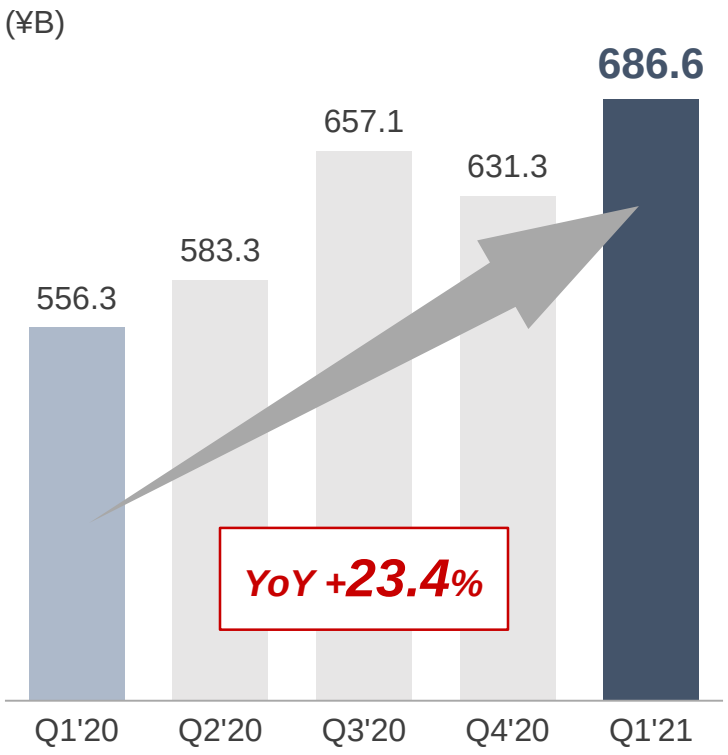
1. May 31, 2021 "Survey on Usage of Code Payment," Payments Japan Association
2. Figure for 2018 is based on actual values from October (when the service was launched) to December

- Steady growth in user base and **revolving balance, the main source of revenue**
- **Aiming to accelerate growth in the number of card holders while strengthening sales promotion activities in conjunction with the upcoming launch of new services**

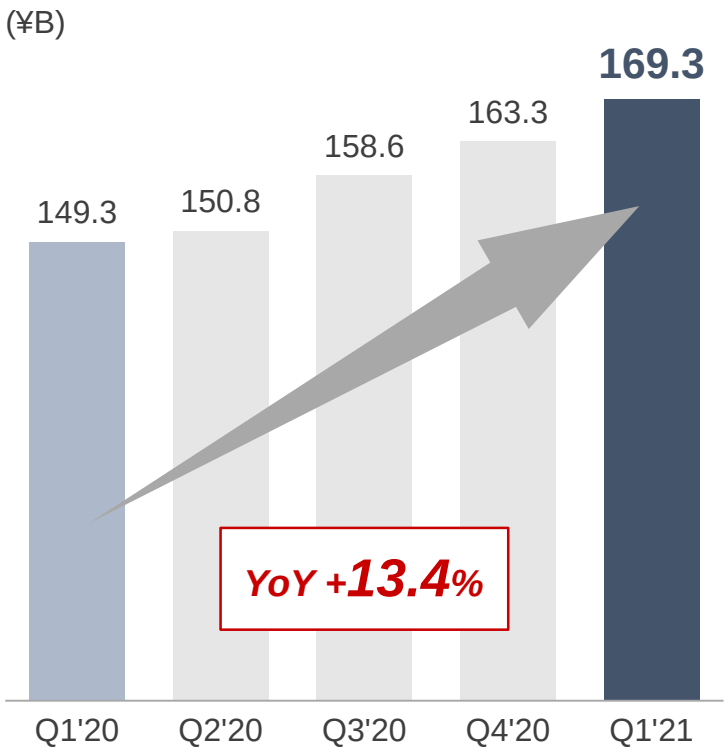
Credit Card – Active Cardholders



Credit Card – Transaction Volume



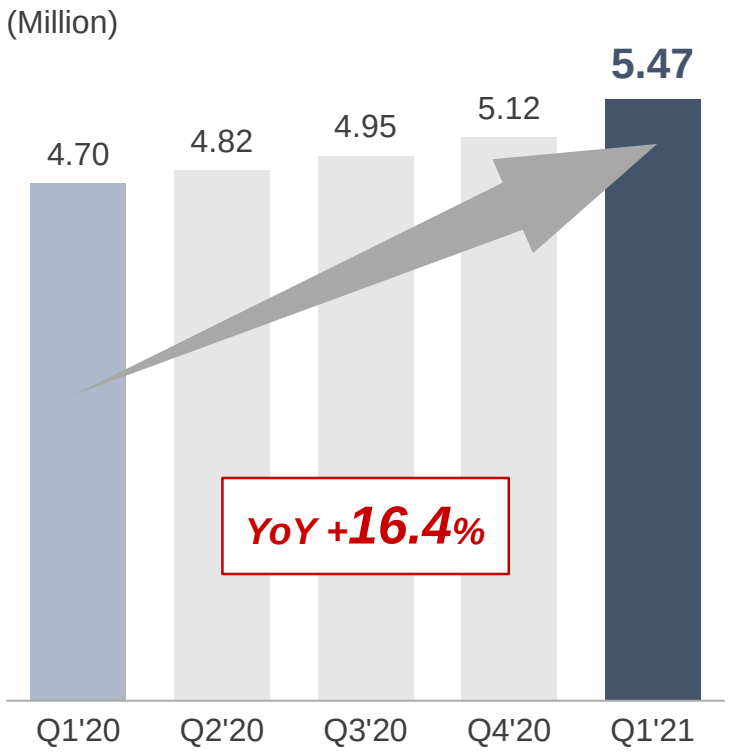
Credit Card – Revolving Balance



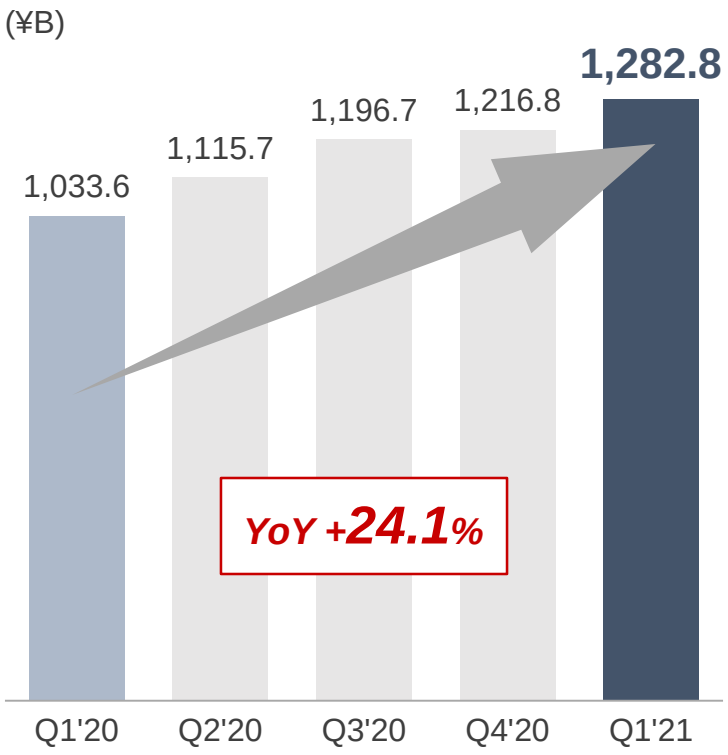
1. YJ Card Corporation is scheduled to change its trade name to PayPay Card Corporation on October 1, 2021

- Changed trade name from The Japan Net Bank, Limited to PayPay Bank Corporation on April 5, 2021
- No. of accounts, deposit balance and loan balance steadily increasing due to **successful acquisition of PayPay users**

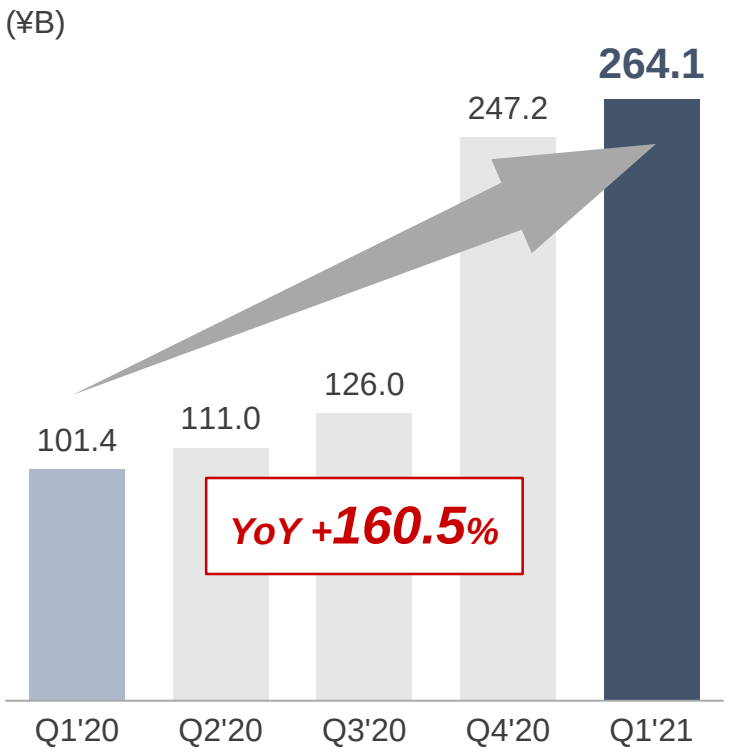
No. of Accounts



Deposit Balance



Loan Balance



Business Results (P/L)

Strategic Business

(JPY Million)	FY2020 Q1	FY2021 Q1	YoY
Revenue	**20,990**	**28,354**	***+35.1%***
Fintech	**20,990**	**28,049**	***+33.6%***
YJ Card[1,2]	10,211	11,450	*+12.1%*
PayPay Bank[2]	7,637	8,023	*+5.1%*
Other fintech (LINE Fintech, etc.)	3,141	8,575	*+172.9%*
Other Strategic Business (AI, LINE Search, LINE Healthcare, etc.)	**N/A**	**305**	***N/A***
Cost of sales	**3,018**	**3,733**	***+23.7%***
Selling, general and administrative expenses	**14,491**	**31,836**	***+119.7%***
Sales promotion cost + Advertising and promotional expenses	821	3,648	*+334.0%*
Other selling, general and administrative expenses	13,670	28,187	*+106.2%*
Other revenue and expenses	**-531**	**-**	***N/A***
Adjusted EBITDA (Margin)	**5,385 (25.7%)**	**-6,366 (-22.5%)**	-

1. YJ Card Corporation is scheduled to change its trade name to PayPay Card Corporation on October 1, 2021
2. Independently calculated by making relevant IFRS adjustments from non-consolidated figures under JGAAP

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1 Topics/Consolidated Business Results – Whole Group

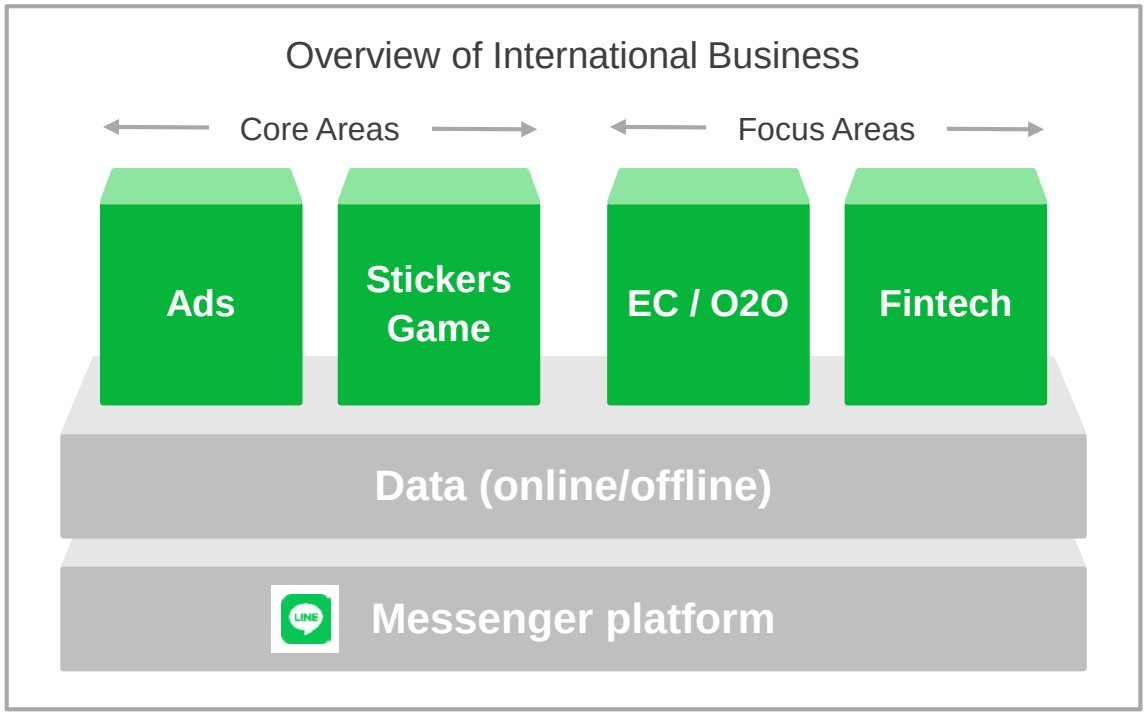
2 Topics/Business Results – By Segment

3 International Business Development

4 FY2021 Business Results Forecast

- **Overwhelming reach and market share in Asian countries and regions**, mainly Taiwan, Thailand and Indonesia
- **Generating revenue mainly from advertising, stickers, and game businesses** based on messaging

Taiwan	19 mil DAU[1] 21 mil MAU[1] (Population: 23.57 mil[2])	LINE, LINE TODAY, LINE Pay **No.1 Market share[3]**
Thailand	38 mil DAU[1] 50 mil MAU[1] (Population: 66.59 mil[2])	LINE, LINE TODAY **No.1 Market share[3]**
Indonesia	3.9 mil DAU[1] 10 mil MAU[1] (Population: 270.20 mil[2])	LINE, LINE TODAY



1. As of June 30, 2021
2. Population for 2020. Figures for Taiwan and Thailand are quoted from data published by the Ministry of Interior. Figure for Indonesia is quoted from data published by the Central Bureau of Statistics.
3. Data for Taiwan and Thailand are based on 2020 market research data for each country and region

- **Focus on expansion of EC/O2O and Fintech services** based on messengers and payments to generate new revenue

	Fintech		O2O	
Taiwan	LINE Bank Launched in April 2021	Pure Internet bank • Mobile banking, lending service • Exceeded the following in just 3 months since service launch: • **Users: approx. 220,000;** • **Deposit balance: JPY24.3 B;** Loan: JPY3.1 B (As of July 31, 2021)	LINE TAXI Launched in October 2019	Taxi dispatch service • Official Account **No. of followers: 5.54 mil** (As of July 31, 2021) • No. of registered drivers: +10,000 **No. of users: 1.85 mil** (As of July 31, 2021)
Thailand	LINE BK Launched in October 2020	Pure Internet bank (J/V with Kasikorn Bank) • Mobile banking, lending service • Exceeded **2.91 mil users** in approx. 9 months since service launch • **Loan balance: JPY 32.7 B** (As of July 31, 2021) • No. of debit cards issued: 1.4 mil (As of July 31, 2021)	LINE MAN wongnai Launched in September 2020	Food delivery, restaurant review service, etc. • **Collaborates with more than 170,000 restaurants** (As of July 31, 2021) • **Transaction value: more than 2.2X YoY** (July 2020 – July 2021) • Aim to become Thailand's No.1 delivery platform
Indonesia	LINE Bank by KEB Hana Bank Launched in June 2021	Pure Internet bank (J/V with KEB Hana Bank) • Mobile banking, lending service • Plan to launch P2P lending service in 2022		

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1 Topics/Consolidated Business Results – Whole Group

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4 FY2021 Business Results Forecast

FY2021 Full Year Guidance

Whole Group

- **No change from previous guidance** announced in Business Results Briefing for FY2020 Full Year & Q4 (held on April 28, 2021)

Segment	Item	Estimate	YoY
Whole Group	**Revenue**	**¥1.52 to 1.57 T**	***+26.1 to 30.2%***
	Adjusted EBITDA	**¥303.0 to 313.0 B**	***+2.8% to 6.2%***
Media Business	Advertising Revenue (Pre-Integration ZHD)[1]	¥375.0 to 389.2 B	*+6 to 10%*
	Advertising Revenue (LINE)	¥166.2 to 171.4 B	*+10 to 13%[2]*
	Adjusted EBITDA	Approx. ¥235 B	*+44.5%*
Commerce Business	Shopping Business Transaction Value	¥1.69 to 1.89 T	*+12 to 25%*
	Adjusted EBITDA	Approx. ¥125 B	*-17.9%*
Strategic Business	Fintech Revenue	¥117.4 to 126.5 B	*+30 to 40%*
	Adjusted EBITDA	Approx. negative ¥25 B	-
Adjustments	Adjusted EBITDA	Approx. negative ¥32 B	-

1. Includes Shopping-related advertising revenue. Shopping-related advertising revenue is classified in Commerce Business under the new FY2021 business segment.
2. Growth rate compared to the 12-months results (April 2020 – March 2021)

Z HOLDINGS

Unleashing the infinite potential of all people,
with the power of information technology

Appendix

Whole Group – Financial Information

FY2021 Q1 Factors of Change in Operating Income

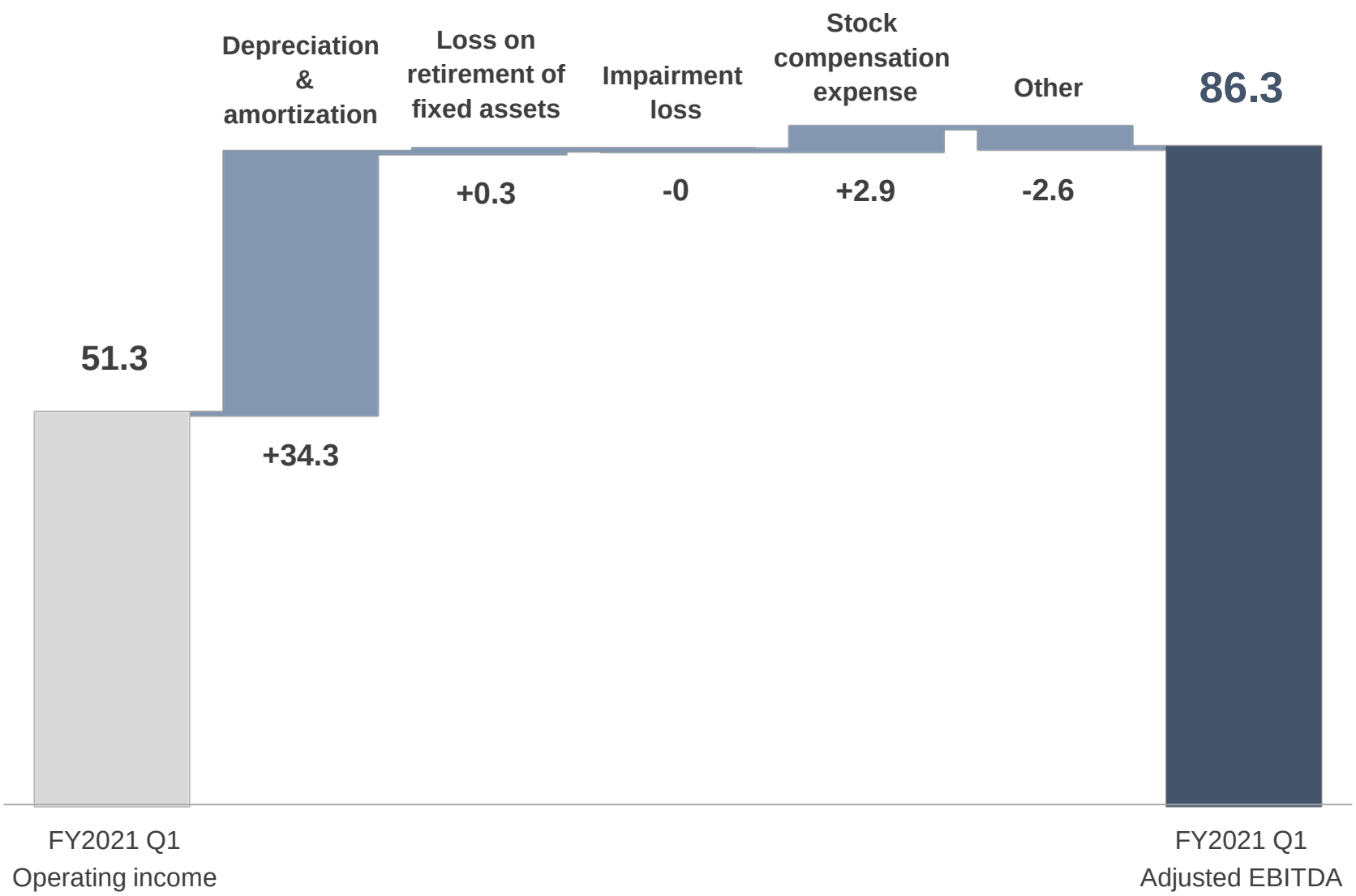
Whole Group

(¥B)		Q1	YoY Difference	YoY	Major Factors of Change (¥B)
Revenue		**373.3**	**+99.4**	***+36.3%***	• Increase due to LINE consolidation +70.4 • Yahoo Japan +12.2 • ASKUL Group +7.3 • ZOZO +5.4
Cost of sales		**119.5**	**+19.1**	***+19.0%***	• Increase due to LINE consolidation +7.9 • ASKUL Group +5.7
SG&A		**202.3**	**+80.5**	***+66.1%***	-
(Major items)	Personnel expense	53.5	+24.1	*+82.2%*	• Increase due to LINE consolidation +21.2
	Depreciation and amortization	33.8	+9.2	*+37.6%*	• Increase due to LINE consolidation +8.2
	Sales promotion cost	28.8	+16.6	*+136.0%*	• Absence of cost reduction implemented in the same quarter last year • Increase in point-provision expense due to expanded transaction value • Increase due to LINE consolidation +1.6
	Business commissions	26.1	+9.5	*+57.4%*	• Increase due to LINE consolidation +7.7
Other income & expenses		**-**	**+0.9**	***N/A***	-
Operating income		**51.3**	**+0.7**	***+1.5%***	-

Adjusted EBITDA – Breakdown of Adjustment Items

Whole Group

(¥B)



Adjusted EBITDA

Op. income ＋depreciation & amortization ± EBITDA adjustment items

EBITDA adjustment items

Gains/losses on non-recurring and non-cash transactions within operating revenue and expenses

- Losses 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.

Impact from Consolidation of LINE

Whole Group

Item	LINE FY2021 Q1 (¥B)	FY2021 Q1 (Excl. LINE) (¥B)	YoY
Revenue	**70.4**	**302.8**	***+10.6%***
Operating income	**4.6**	**46.7**	***-7.6%***
Net income	**0.08**	**30.8**	***+12.0%***
Net income attributable to owners of the parent	**0.08**	**26.5**	***+16.6%***

Impact from Consolidation of LINE (Goodwill, PPA – Provisional Values)

Whole Group

- **Measured based on assumptions such as estimated future cash flows, discount rate, declining rate for existing customers, future revenue generated from the trademarks, and royalty rates**
- **Began amortizing PPA from FY2021 Q1 (FY2021 Q1 JPY3.4 B)**

Item	Amount (¥B)	Annual Amortization Amount (¥B)	Amortization Period (Straight Line)
Goodwill	**1,357.9**	-	-
PPA[1]	**406.9**	**13.6**	-
Customer base	17.8	-	12 years
Customer relationship (Advertisers)	219.0	-	18 years
Trademarks[2]	170.0	-	No amortization

1. Provisional value also in FY2021 Q1
2. Indefinite-lived intangibles

Impact from Consolidation of ZOZO (Goodwill, PPA)

Whole Group

Item	Amount (¥B)	Annual Amortization Amount (¥B)	Amortization Period (Straight Line)
Goodwill	**212.9**	-	-
PPA	**502.1**	**13.2**	-
Customer base (Shops/users)	322.0	-	18-25 years
Trademarks[1]	178.7	-	No amortization
Others	1.4	-	4 years

1. Indefinite-lived intangibles

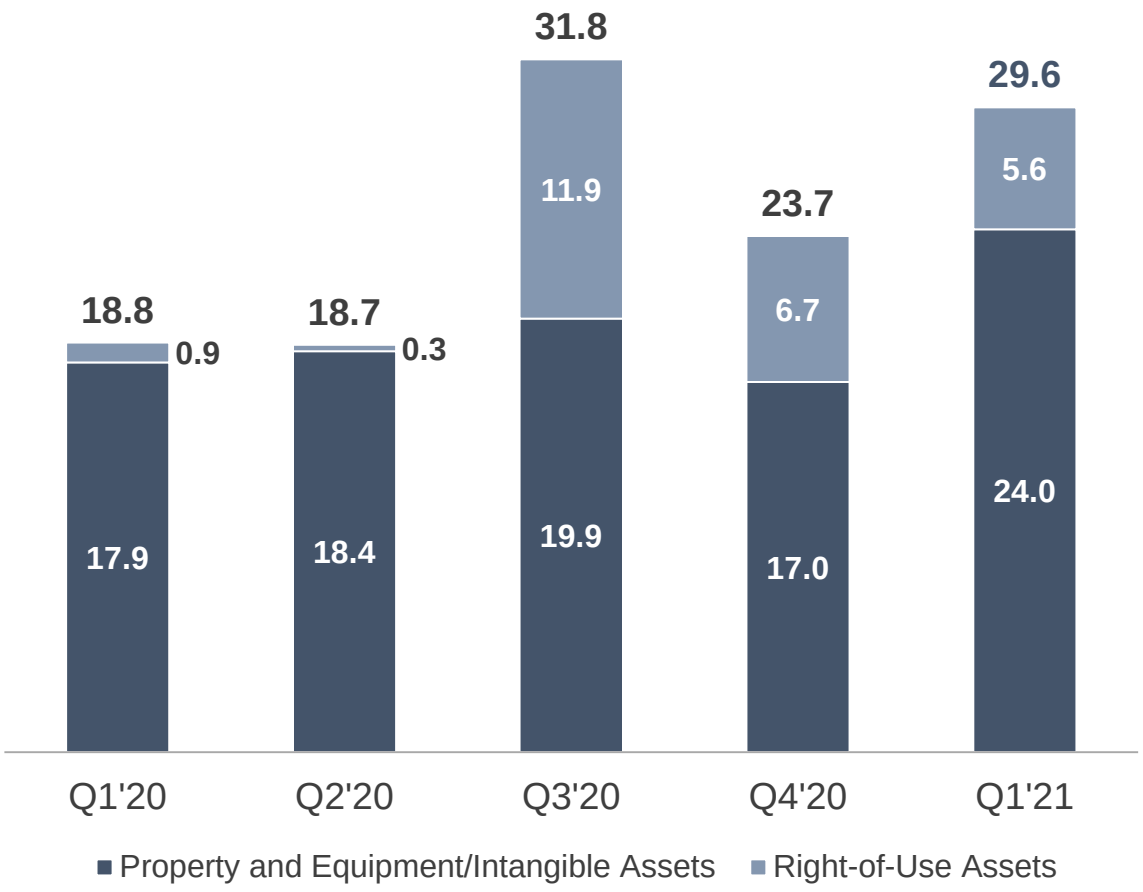
FY2021 Q1 Consolidated Statement of Financial Position

Whole Group

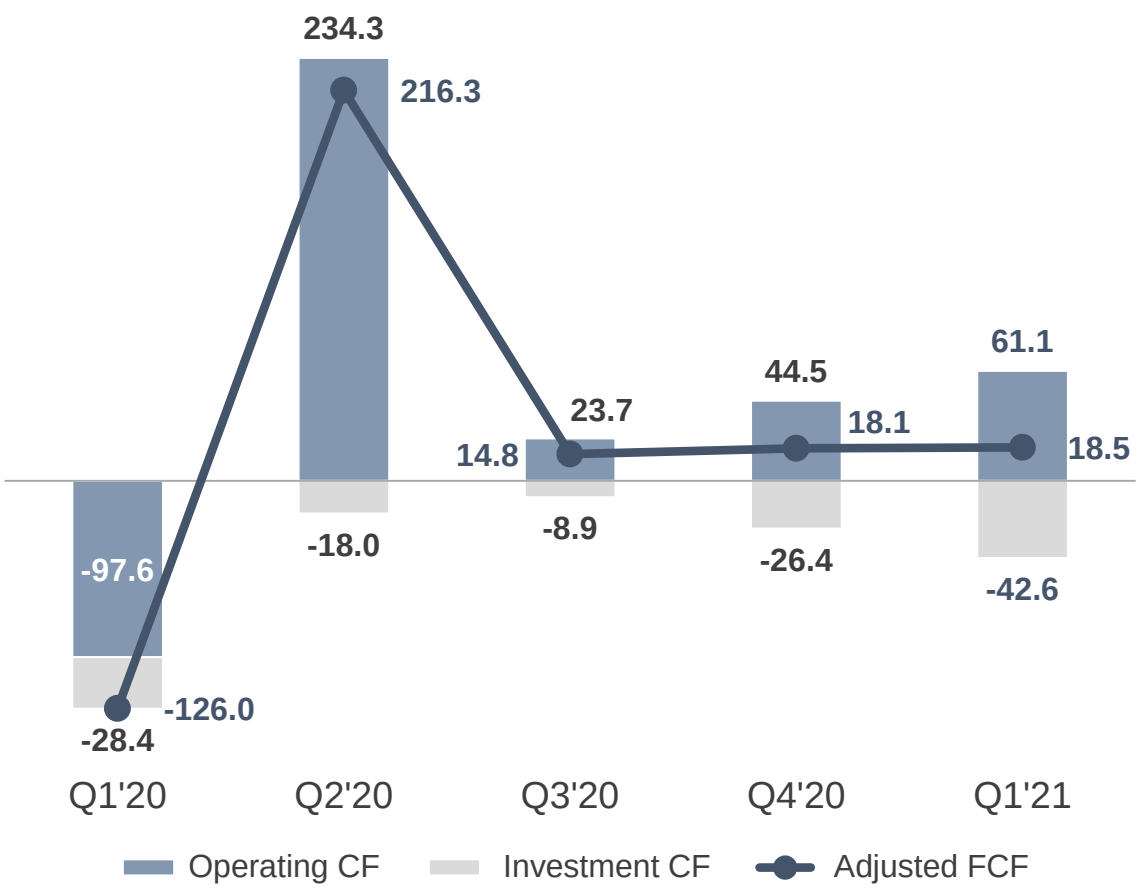
(¥B)	FY2020 Q4	FY2021 Q1	Difference
Assets	**6,696.6**	**6,693.3**	**-3.3**
Cash and cash equivalents	1,065.7	1,078.0	+12.3
Trade and other receivables	480.1	412.9	-67.2
Loans in credit card business	407.9	392.1	-15.8
Investment securities in banking business	517.9	504.9	-13.0
Property and equipment	153.2	153.5	+0.2
Intangible assets	1,075.8	1,056.3	-19.5
Liabilities	**3,707.0**	**3,739.2**	**+32.1**
Trade and other payables	616.6	545.9	-70.7
Customer deposit in banking business	1,186.2	1,251.9	+65.7
Interest-bearing liabilities	1,389.5	1,463.2	+73.6
Equity	**2,989.5**	**2,954.1**	**-35.4**

Whole Group

CAPEX[1]



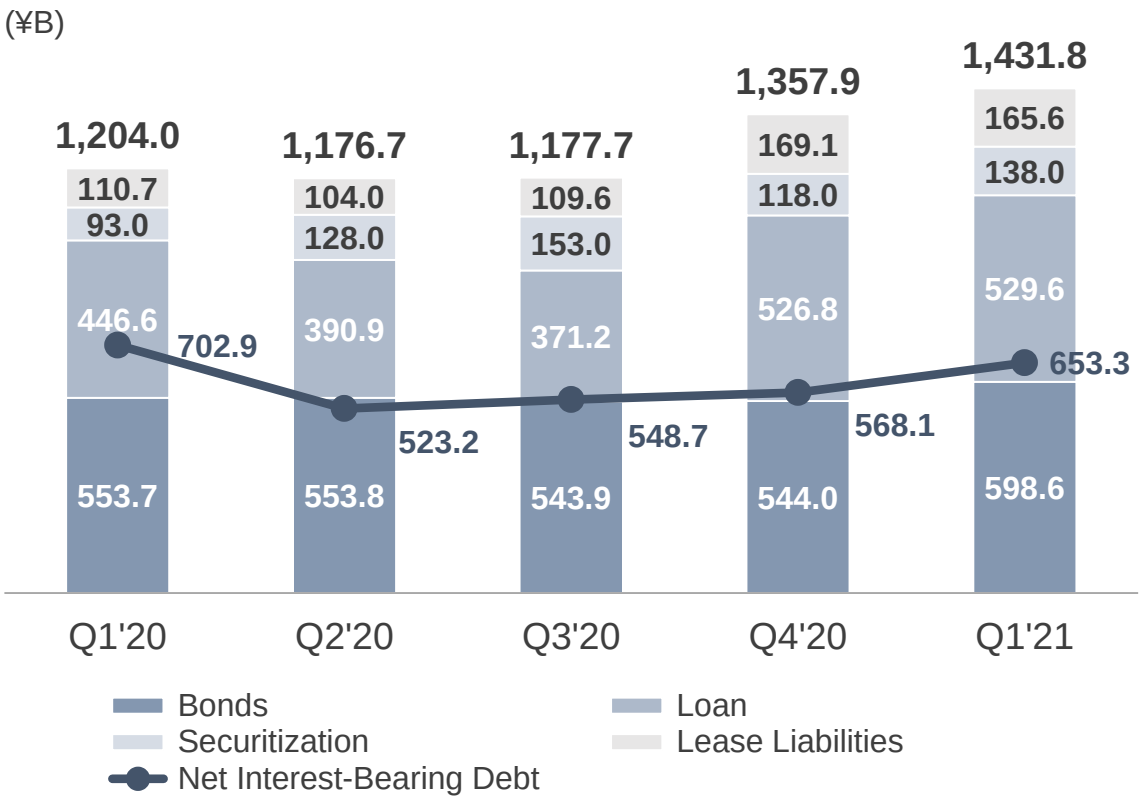
Adjusted FCF[2]



1. The figures are rounded down to the nearest million yen and then rounded to the nearest 100 million yen
2. Excludes banking business. Securitization of credit card receivables is added in operating cash flow. The figures are rounded down to the nearest million yen and then rounded to the nearest 100 million yen.

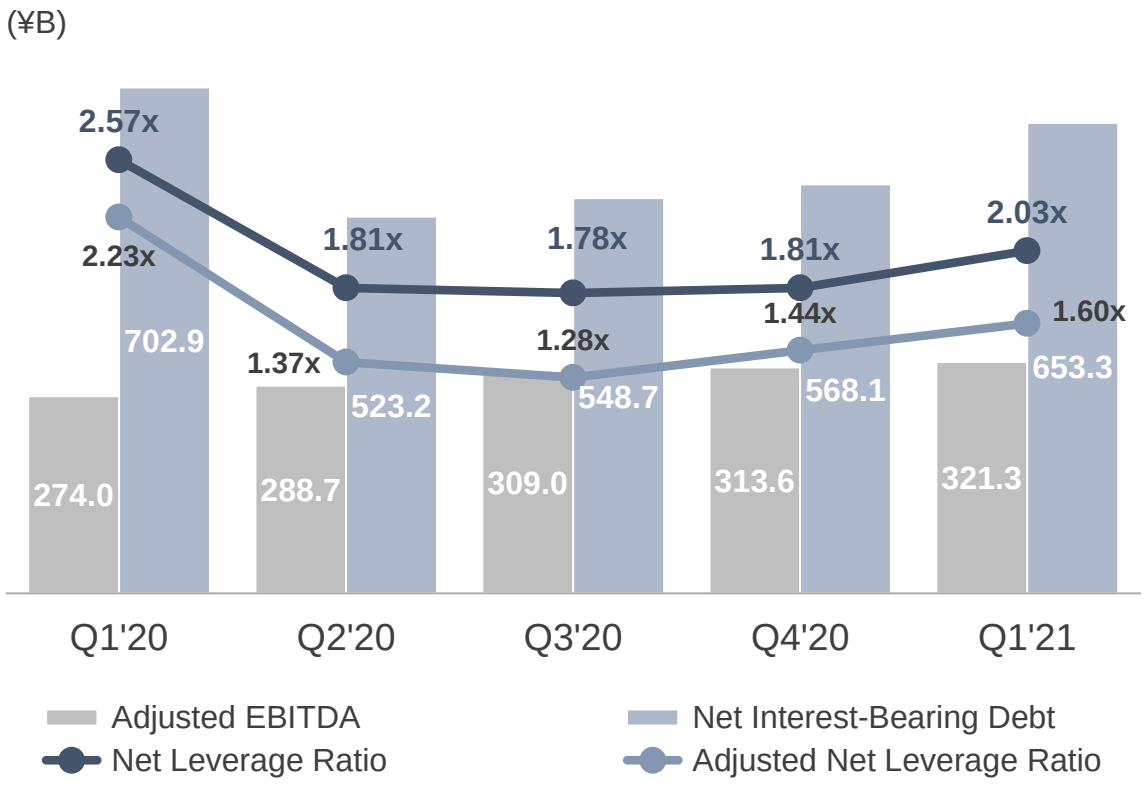
Interest-Bearing Debt & Net Interest-Bearing Debt[1]

(Excludes banking business)



Net Leverage Ratio[2] / Adjusted net leverage ratio[3]

(Excludes banking business)

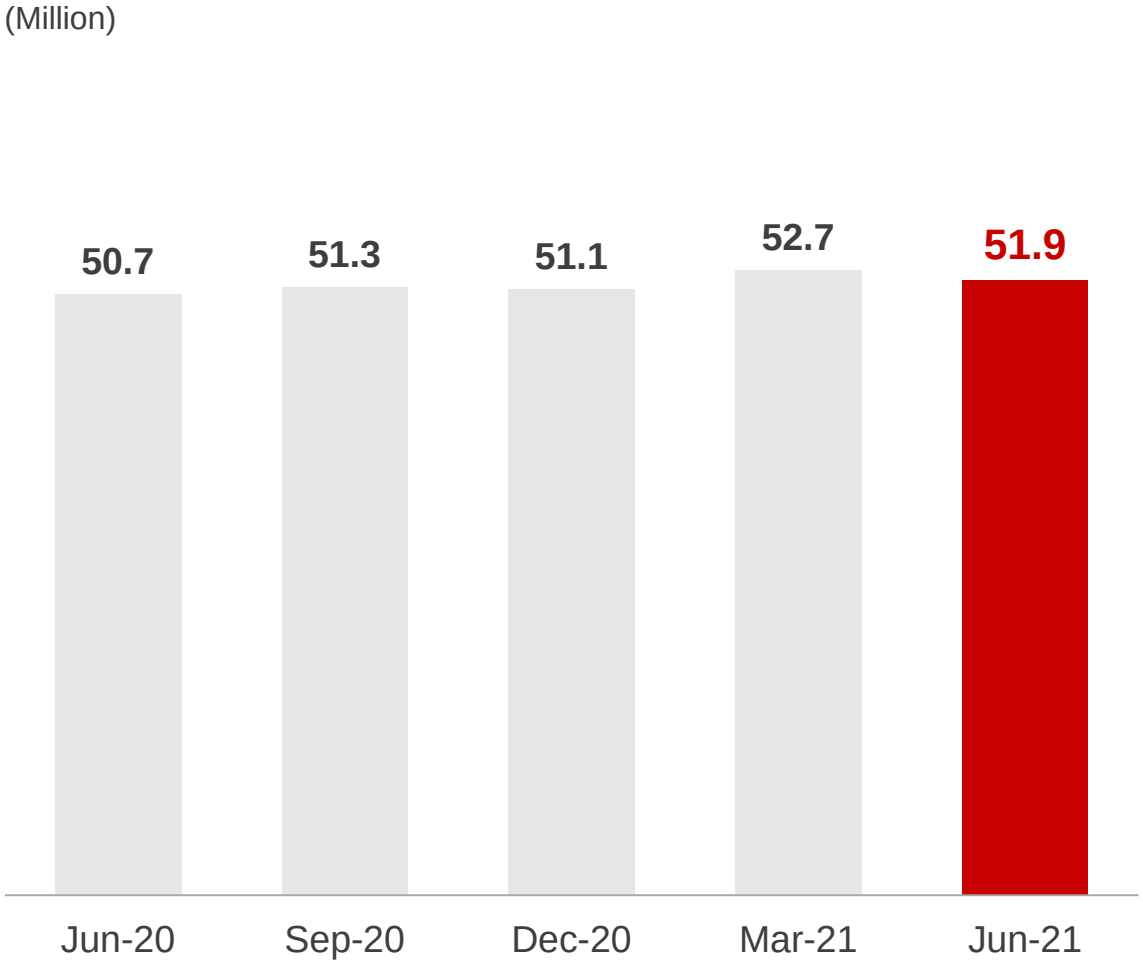


1. Net interest-bearing debt = Interest bearing debt – Cash and cash equivalents. The figures are rounded down to the nearest million yen and then rounded to the nearest 100 million yen.
2. Net leverage ratio = Net interest-bearing debt/Adjusted EBITDA (Figures for the last 12 months used for calculating Adjusted EBITDA). The figures are rounded down to the nearest million yen and then rounded to the nearest 100 million yen.
3. Excludes impact of asset securitization

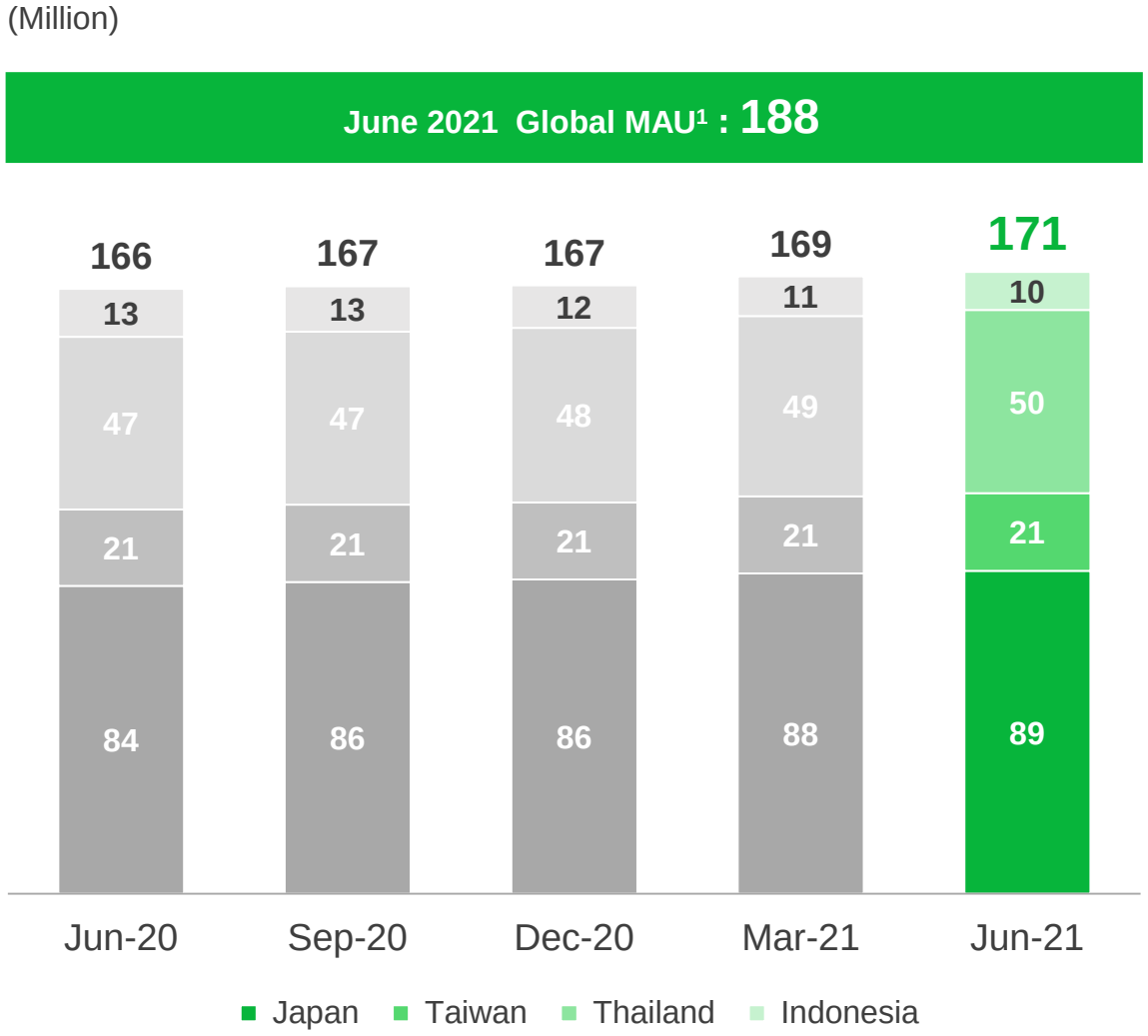
User Base

Whole Group

Yahoo Japan - Number of Monthly Logged-in User IDs



LINE - Monthly Active Users



1. Total number of users worldwide, including the four major countries and regions

Country/Region	Business	Name of Company	Type of Company
Taiwan	-	LINE Taiwan Limited	Consolidated subsidiary
	Fintech	LINE Pay Taiwan Limited	Consolidated subsidiary
	Fintech	LINE Bank Taiwan Limited	Equity method affiliate
	O2O	JDW Co., Ltd.	Consolidated subsidiary
Thailand	-	LINE Company (Thailand) Limited	Consolidated subsidiary
	Fintech	RABBIT-LINE PAY COMPANY LIMITED	Equity method affiliate
	Fintech	Kasikorn LINE Company Limited	Equity method affiliate
	O2O	LINE MAN Corporation	Equity method affiliate
Indonesia	-	PT. LINE PLUS INDONESIA	Consolidated subsidiary
	Fintech	PT. Bank KEB Hana Indonesia	Equity method affiliate

1. As of June 30, 2021

Media Business

Major Services and Products of Media Business Segment

Item	Breakdown
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.
LINE Ads	
Display ads	Timeline, LINE NEWS, Chat List, etc.
Account ads	LINE Official Account, LINE Promotion Sticker, LINE de Obo, LINE Flyer, etc.
Other ads	livedoor Blog, LINE Part Time Jobs, etc.
Others	
Yahoo Japan	ebookjapan, Real estate-related services, Yahoo! JAPAN Loco, etc.
LINE	LINE Stickers, LINE GAME, LINE Fortune, LINE LIVE, LINE MUSIC, LINE Manga, etc.

Item	Fee Calculation	Placement Pages	Type of Advertiser
Search advertising	Cost per-click	Search results pages	Major corporations/SMEs
Display advertising			
Programmatic			
Yahoo! JAPAN Ads “Display advertising” (Programmatic-based)	Cost per-click Cost per-view	Top page Interior pages of service sites Partner sites	Major corporations/SMEs
Shopping advertising (Programmatic-based)	Cost per-conversion	Yahoo! JAPAN Shopping PayPay Mall	Tenants of Yahoo! JAPAN Shopping and PayPay Mall
Reservation			
Yahoo! JAPAN Ads “Display advertising” (Reservation-based)	Cost per-viewable impression Cost per-guaranteed period, etc.	Top page Interior pages of service sites	Major corporations
Shopping advertising (Reservation-based)	Cost per-guaranteed period, etc.	Yahoo! JAPAN Shopping PayPay Mall	Tenants of Yahoo! JAPAN Shopping and PayPay Mall

Item	Fee Calculation	Placement Pages/Product outline	Type of Advertiser
Display ads			
Timeline	Cost per-click Cost per-view	Timeline tab	Major corporations/SMEs
LINE NEWS	Cost per-click Cost per-view	NEWS tab	Major corporations/SMEs
Chat List	Cost per-click Cost per-view	Top of chat list page	Major corporations/SMEs
Account ads			
LINE Official Account	Fixed monthly cost Pay-as-you-go	Messages delivered to users who have friended the account	Major corporations/SMEs
LINE Promotion Sticker	Fixed fee Pay-as-you-go	Stickers designed for businesses for user communications	Major corporations
LINE de Obo	Basic cost Optional cost	In-store sales promotion solution utilizing LINE	Major corporations

- **Completed integration of display advertising platforms (reservation/programmatic advertising)**

Before

Separate advertising platforms

Yahoo! JAPAN Premium Ads

Reservation

Yahoo! JAPAN Promotional Ads

Yahoo! JAPAN Display Ad Network

Programmatic

April 1, 2021 Integration completed

Integrated to Yahoo! JAPAN Ads

Display advertising

Reservation advertising

Programmatic advertising

1. Flexible ad placements that meet various purposes

Flexible ad placements that meet various purposes and issues faced by advertisers (from awareness, acquisition to loyalty) provided in one-stop

2. Easy-to-use ad management tools

Renewed to intuitive, easy-to-operate tools

3. Optimal distribution algorithm suited for purpose

From a distribution algorithm mainly geared towards website referral, renovated to an optimal distribution algorithm that suits ad purpose

Commerce Business

Major Services and Products of Commerce Business Segment

Commerce Business

Item	Breakdown
Merchandise EC	-
Shopping business	Yahoo! JAPAN Shopping, PayPay Mall, ZOZOTOWN, LOHACO, Charm, LINE SHOPPING, LINE FRIENDS, LINE GIFT
Reuse business	YAHUOKU!, PayPay Flea Market, ZOZOUSED
ASKUL online BtoB business	-
Services EC	Yahoo! JAPAN Travel, Ikyu Travel, LINE TRAVEL (International), etc.
Others	Premium membership, ASKUL non-online BtoB business, ValueCommerce, etc.

KPI - Definition of EC Transaction Value

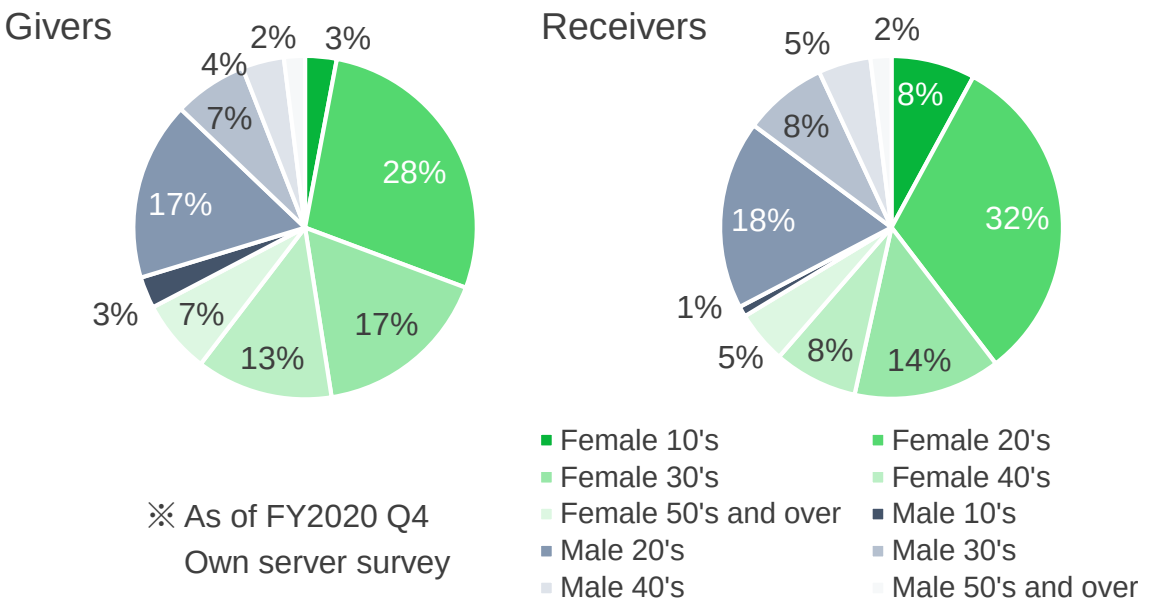
Commerce Business

Items	Major services
EC transaction value	-
Merchandise	-
Shopping business	Yahoo! JAPAN Shopping, PayPay Mall, ZOZOTOWN, LOHACO, Charm, LINE SHOPPING, LINE FRIENDS, LINE GIFT
Reuse business	YAHUOKU!, PayPay Flea Market, ZOZOUSED
ASKUL online BtoB business	-
Other (merchandise)	Yahoo! JAPAN Tickets, Ouchi-Direct
Services	Ikyu.com, Yahoo! JAPAN Travel, Yahoo! JAPAN Loco[1], Demae-can
Digital content[1]	ebookjapan, LINE Manga, LINE MUSIC, LINE Stickers, LINE GAME, LINE LIVE, LINE Fortune, other paid digital content

1. Revenue from these services are recorded in the Media business segment

- **A service that allows users to give gifts to family and friends connected through LINE**
- **Two types of gifts: “E-Gifts” – suitably priced for casual presents; “Delivery Gifts” – available in wide price ranges to suit various purposes**

User Attribute



※ As of FY2020 Q4
Own server survey

No. of cumulative users[1] 15 mil
(As of May 31, 2021)

1. Total number of unique users who have given or received LINE GIFT

Strategic Business

Major Services and Products of Strategic Business Segment

Strategic Business

Items	Breakdown
Fintech	-
YJ Card[1]	-
PayPay Bank	-
Other fintech	PayPay Asset Management, PayPay Insurance, Magne-Max, YJFX!, LINE Pay, LINE Securities, LINE Score, LINE Pocket Money, LINE BITMAX, etc.
Others	AI, LINE Search, LINE Healthcare, etc.

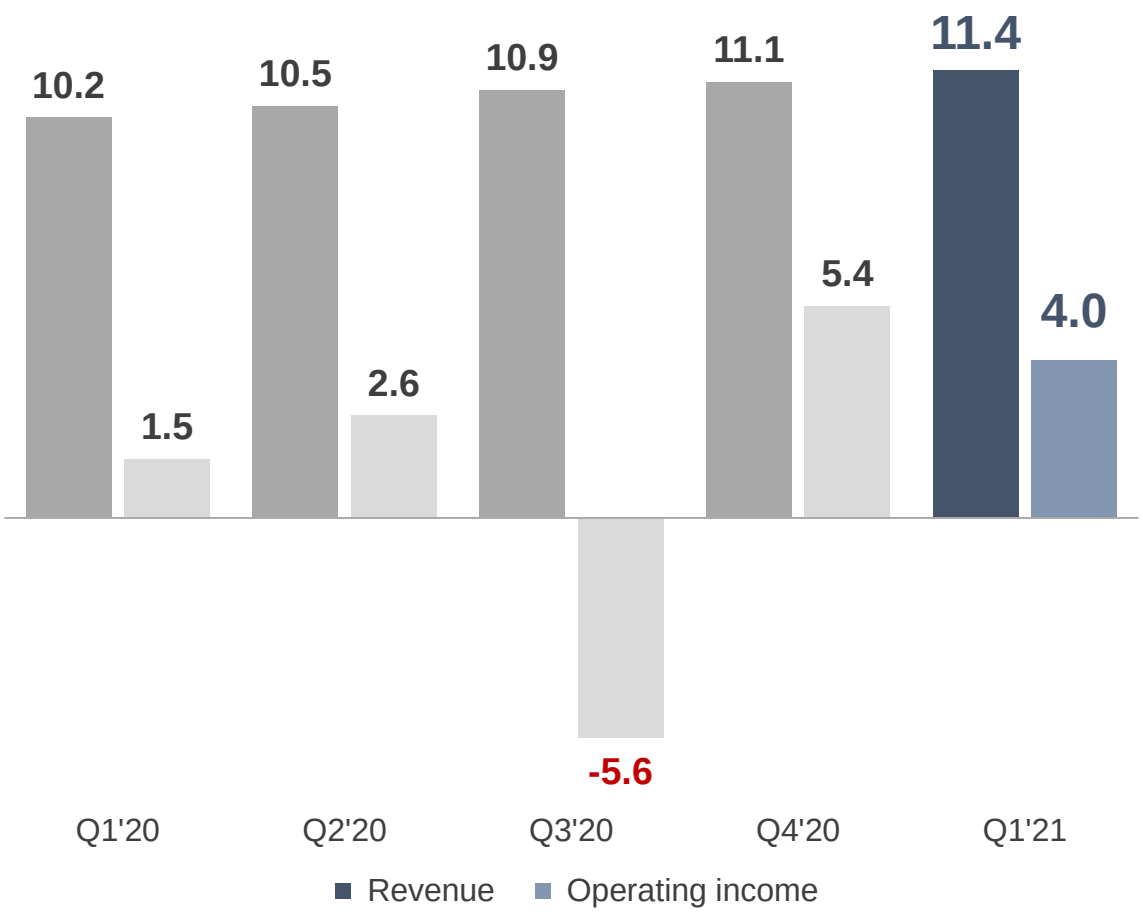
1. YJ Card Corporation is scheduled to change its trade name to PayPay Card Corporation on October 1, 2021

YJ Card Corporation[1] – Business Results

Strategic Business

Revenue/Operating Income (non-consolidated IFRS)[2]

(¥B)



Statement of Financial Position (JGAAP)[2]

(¥B)

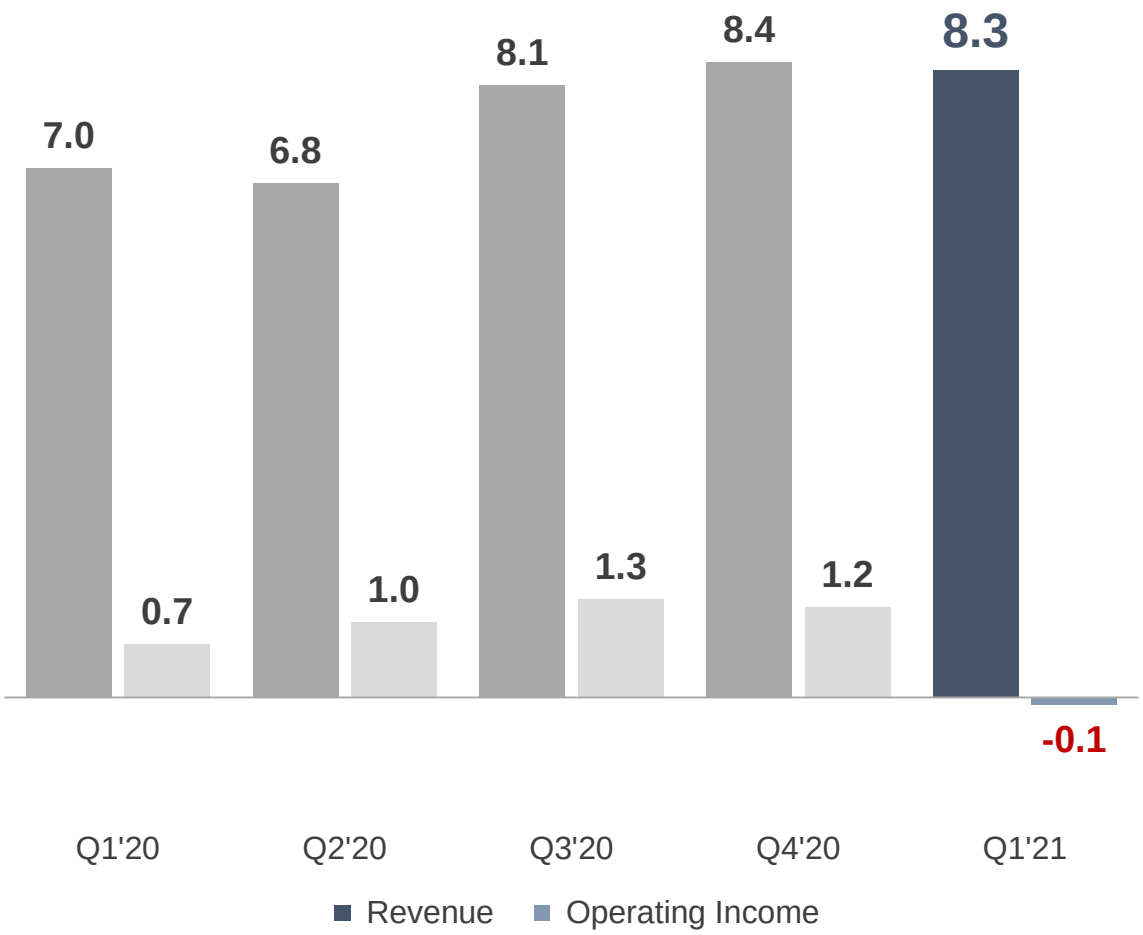
	FY2020 Q4	FY2021 Q1	Difference
Assets	**489.5**	**500.6**	**11.1**
Cash and cash equivalents	17.7	35.1	17.3
Trade and other receivables	15.6	17.7	2.1
Loans in credit card business	391.7	382.5	-9.2
Investment securities in banking business	-	-	-
Property and equipment	1.9	2.0	0
Intangible assets	25.5	25.7	0.1
Liabilities	**454.6**	**463.5**	**8.9**
Trade and other payables	195.1	177.3	-17.7
Customer deposit in banking business	-	-	-
Interest-bearing liabilities	248.2	276.7	28.5
Equity	**34.9**	**37.0**	**2.1**

1. YJ Card Corporation is scheduled to change its trade name to PayPay Card Corporation on October 1, 2021
2. Figures before elimination of internal transactions within the Z Holdings Group. Revenue and operating income are independently calculated by making relevant IFRS adjustments from non-consolidated figures under JGAAP.

PayPay Bank Corporation – Business Results

Revenue/Operating Income (non-consolidated IFRS)[1]

(¥B)



Statement of Financial Position (JGAAP)[1]

(¥B)

	FY2020 Q4	FY2021 Q1	Difference
Assets	**1,338.7**	**1,401.1**	**62.3**
Cash and cash equivalents	306.5	330.4	23.8
Trade and other receivables	25.0	24.7	-0.2
Loans in credit card business	-	-	-
Investment securities in banking business	527.9	514.9	-13.0
Property and equipment	0.5	0.5	-0
Intangible assets	7.5	7.4	-0
Liabilities	**1,280.4**	**1,343.9**	**63.4**
Trade and other payables	16.9	15.8	-1.1
Customer deposit in banking business	1,216.8	1,282.8	65.9
Interest-bearing liabilities	41.0	41.0	-
Equity	**58.3**	**57.2**	**-1.0**

1. Figures before elimination of internal transactions within the Z Holdings Group. Revenue and operating income are independently calculated by making relevant IFRS adjustments from non-consolidated figures under JGAAP.

		May 2018 (At founding)	As of end of May 2019	As of end of Mar 2020	As of end of Dec 2020	As of end of Jul 2021
Common Stock	**Yahoo Japan**	**50%**	**25%**	**25%**	**25%**	**25%**
	SoftBank	50%	25%	25%	25%	25%
	SoftBank Group	-	50%	50%	50%	50%
	Paytm	-	-	-	-	-
	Total	100%	100%	100%	100%	100%
Preferred Stock[1]	**Yahoo Japan**	**-**	**-**	**50%**	**50%**	**41.5%**
	SoftBank	**-**	**-**	50%	50%	41.5%
	SoftBank Group	**-**	**-**	-	-	17.0%
	Total	**-**	**-**	100%	100%	100%

YAHOO! JAPAN **Voting rights ratio** | **25%**

After conversion of preferred stocks & Paytm's exercise of stock option[2]	
Yahoo Japan	**33.0%**
SoftBank	**33.0%**
SoftBank Group	**28.5%**
Paytm	**5.5%**
Total	**100%**

YAHOO! JAPAN **Voting rights ratio** | **33%**

1. From April 2022 onwards, may be converted to common stocks (conversion rate=1:1)
2. On September 30, 2020, issued stock options to Paytm. The options can be exercised from the same date

Non-Financial Information

Acknowledgment as a Sustainable Company

Whole Group

- **Acknowledged by various evaluators**
- **Aim to maintain/enhance a high third-party evaluation after integration, to secure our position as the industry-leading ESG issuer**

Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA

FTSE4Good

FTSE Blossom Japan

MSCI ESG RATINGS AA
CCC B BB BBB A AA AAA
2021 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX
2021 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

Corporate ESG Performance Prime
RATED BY ISS ESG

2021 Sompo Sustainability Index

2021 健康経営銘柄 Health and Productivity

2021 健康経営優良法人 Health and productivity ホワイト500

Digital Transformation Certification

Note: As of 2021, Z Holdings Corporation receives an MSCI ESG Rating of AA. THE USE BY Z Holdings Corporation OF ANY MSCI ESG RESEARCH LLC OR ITS AFFILIATES ("MSCI") DATA, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT, RECOMMENDATION, OR PROMOTION OF Z Holdings Corporation BY MSCI. MSCI SERVICES AND DATA ARE THE PROPERTY OF MSCI OR ITS INFORMATION PROVIDERS, AND ARE PROVIDED 'AS-IS' AND WITHOUT WARRANTY. MSCI NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI.

External ESG Evaluations

Whole Group

Member of
Dow Jones
Sustainability Indices
Powered by the S&P Global CSA

S&P Global - DJSI

Interactive Media, Services & Home Entertainment sector

Selected as an Industry Leader

2021 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

2021 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

MSCI ESG Rating[1]

Score rising every year since 2018

Received AA rating

Named for the first time to MSCI Japan ESG Select Leaders Index (June 2021)

Received the highest evaluation in the following categories:

Governance & Economic Dimension	Information Security/Cybersecurity & System Availability
Environmental Dimension	Environmental Reporting
Social Dimension	Corporate Citizenship and Philanthropy

Four areas of material importance

- Privacy & Data Security
- Human Capital Development
- Carbon Emission
- Governance

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Materiality Matrix for Z Holdings Group[1]

Whole Group

The numbers and colors in the matrix coincide with the SDG icons.

- 4 Quality Education
- 5 Gender Equality
- 6 Clean Water and Sanitation
- 8 Decent Work and Economic Growth
- 9 Industry, Innovation and Infrastructure
- 10 Reduced Inequalities
- 11 Sustainable Cities and Communities
- 12 Responsible Production and Consumption
- 13 Climate Action
- 14 Life Below Water
- 16 Peace, Justice and Strong Institutions
- 17 Partnerships for the Goals

1. Big circles are especially important to the stakeholders and the Z Holdings Group, and need to be dealt with focus

Overall Picture of CSR, Materiality, and Our Four UPDATEs[1]

Whole Group

Management Resources

Business Activities

	Contribution to the SDGs	Risk Reduction	Value Creation
#01 Developing an IT Society	9 Industry, Innovation and Infrastructure	• Data security/network reliability • Minimization of incidents	• E-commerce for convenient & comfortable life • Driving a fintech society • Contributing to society leveraging multi-big data
#02 Supporting Disaster Relief and Social Issues	11 Sustainable Cities and Communities 17 Partnerships for the Goals	• Initiatives for disaster prevention/mitigation	• Supporting solutions for community/social problems • Initiatives to support disaster restoration
#03 Building a Society Where Everyone Can Play an Active Role	5 Gender Equality 8 Decent Work and Economic Growth	• Promotion of accessibility	• Promotion of diversity • Realization of new work style • Human capital development & training
#04 Working toward a Sustainable Society	12 Responsible Consumption and Production 13 Climate Action	• Response to climate change • Sustainable procurement & disposal	• Expansion of reuse business • Awareness raising utilizing IT media capabilities

Stakeholders

1. The numbers and colors in the picture coincide with the 17 SDG icons

Carbon Neutral Initiatives (Announced: January 19, 2021)

Whole Group

- **Aim to achieve neutrality well ahead of Japanese government's "2050 Carbon Neutral" goal**

Z HOLDINGS

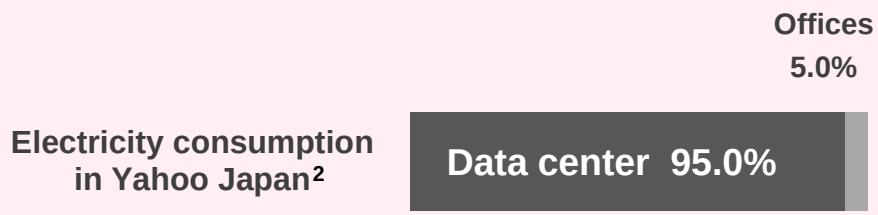
Pursue early membership in RE100 renewable energy initiative[1]

▶

ZHD Group to announce mid-long environmental goals by the end of FY2021

YAHOO! JAPAN

Declared "FY2023 100% Renewable Energy Challenge"



▶

Aim to achieve goal by FY2023

- ▶ Will convert to renewable energy in all data centers
- ▶ Offices will purchase renewable energy certificates

1. Global initiative that promotes 100% renewable energy in corporate activities
2. Yahoo Japan Corporation and some group companies sharing the Kioicho Office

Issuance of Green Bonds

Whole Group

- **In July 2021, publicly offered JPY 20 B green bonds (unsecured straight bond) in the domestic market**
- **Aimed to accelerate carbon neutral initiatives, including the construction of energy-efficient data centers**

Item	Details
Issuer	**Z Holdings Corporation**
Term	**7 years**
Issuance amount	**JPY 20 billion**
Interest rate	**0.46%**
Time of issue	**July 28, 2021**
Lead-managing underwriters	**Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.; Mizuho Securities Co., Ltd.; Nomura Securities Co., Ltd.; SMBC Nikko Securities Inc.; SBI SECURITIES, Co., Ltd.; and Daiwa Securities Co., Ltd.**
Structuring agents	**Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. and Mizuho Securities Co., Ltd.**

Green Bond Framework

Whole Group

- **Acquired a second-party opinion from Sustainalytics on the alignment with the Green Bond Principles 2018 (ICMA) and Green Bond Guidelines 2020 developed by Japan's Ministry of the Environment**

◆ Use of Proceeds

Criteria 1	Criteria 2
Data Center	Renewable Energy
Construction, refurbishment, acquisition, or operation of data centers that achieve a Power Usage Effectiveness (PUE) of less than 1.5	**Sourcing of electricity to be used for data center operation from renewable energy**

◆ Process for Project Evaluation and Selection

The eligible projects will be selected by the Company's department in charge of finance, seeking advice from the department in charge of ESG and the System Management Group of Yahoo Japan Corporation, and finally approved by the Senior Managing Corporate Officer. In implementing projects, we are committed to adhering to relevant laws and regulations and complying with the Charter of Corporate Behavior, which stipulates principles to be observed in order to act with integrity and in accordance with social ethics.

◆ Management of Proceeds

Z Holdings' department in charge of finance will annually manage the allocation of green bond proceeds using its internal management system until the redemption of the bond. Pending full allocation, the proceeds will be held in cash or cash equivalents.

◆ Reporting

Allocation reporting

Until the proceeds are fully allocated to eligible projects, Z Holdings will annually report the following items on the Company's website to the extent practicable.

- Status of the proceeds, (project category, overview of project including its progress, and allocated/unallocated amounts)
- Allocation schedule and the management method, if there are any unallocated proceeds
- Asset's age, remaining useful life, and the amount to be refinanced at the time of the issuance of the green bond, when an asset that requires long-term maintenance is refinanced through the issuance of multiple green bonds.

※ In case of significant events that may cause major changes after the full allocation, the Company will disclose it in a timely manner.

Impact reporting

In addition to the allocation reporting above, Z Holdings will report, to the extent practicable, the following quantitative indicators of environmental improvement on the Company's website. Prior to the launch of eligible projects, we will disclose estimated values of the indicators.

＜Data Center＞ PUE values

＜Renewable Energy＞ Amount of electricity procured (kWh)

- **Strengthen ESG/SDGs initiatives by allocating the funds to projects related to “FY2023 100% Renewable Energy Challenge” declared by Yahoo Japan Corporation in January 2021**

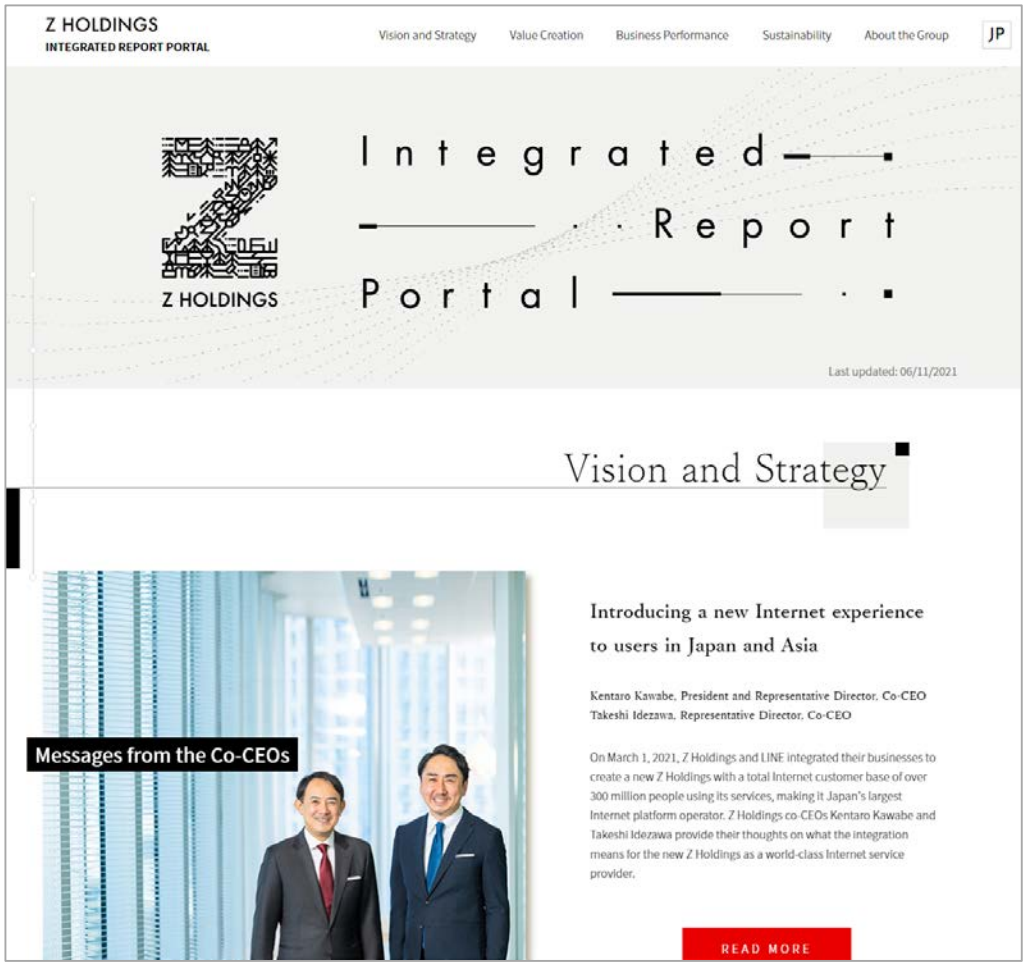
Item	Data Center	Renewable Energy
Project	Construction, refurbishment, acquisition, or operation of data centers that achieve a Power Usage Effectiveness (PUE) [1] of less than 1.5	Sourcing of electricity to be used for data center operation from renewable energy
Project Category	Energy efficiency	Renewable energy
Alignment with Four UPDATEs	#04 Working toward a Sustainable Society	#04 Working toward a Sustainable Society
Alignment with SDGs	7. Affordable and clean energy	7. Affordable and clean energy

1. One of the indicators used to measure the energy efficiency of data centers, etc. A value closer to 1.0 is considered to be more efficient in terms of electricity use.

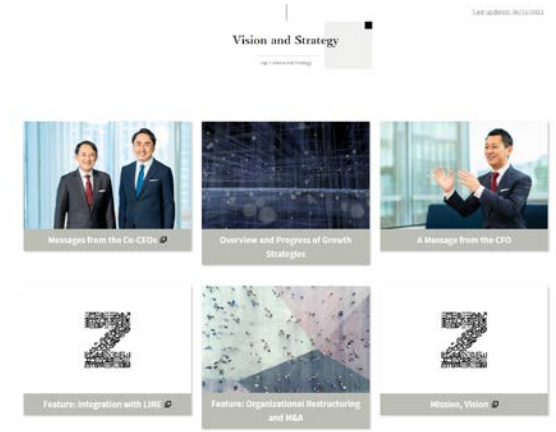
Released “Integrated Report Portal”

Whole Group

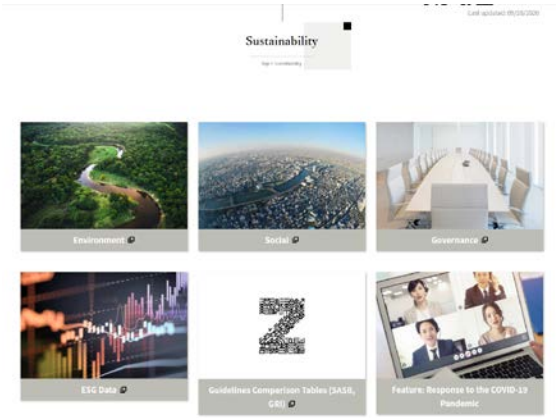
- **Financial/non-financial information useful for investment decisions will be updated as needed**



Vision and Strategy

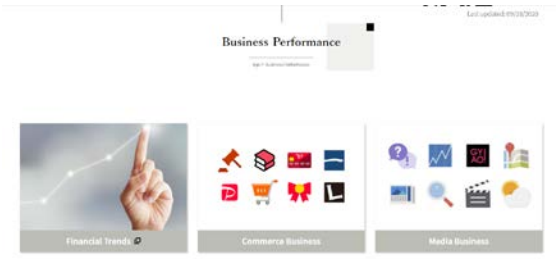


Sustainability



Value Creation

Business Performance



URL: (English) https://www.z-holdings.co.jp/integrated-report/en/

(Japanese) https://www.z-holdings.co.jp/integrated-report/

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The Company cautions you that a number of important factors could cause actual results to differ materially from those discussed in the forward-looking statements.

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Z HOLDINGS

Unleashing the infinite potential of all people,
with the power of information technology