INTEGRATED REPORT PORTAL

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Feature: Organizational Restructuring and M&A

In fiscal year 2018, Z Holdings Corporation (formerly Yahoo Japan Corporation) transitioned to a new execution team and began to move forward toward new challenges and growth. In fiscal year 2019, the second year under the new team, we announced and implemented a program of organizational restructuring on an unprecedented scale as part of our medium- to long-term growth strategy. In this feature, we will look at the aims of these changes and our vision for future growth.

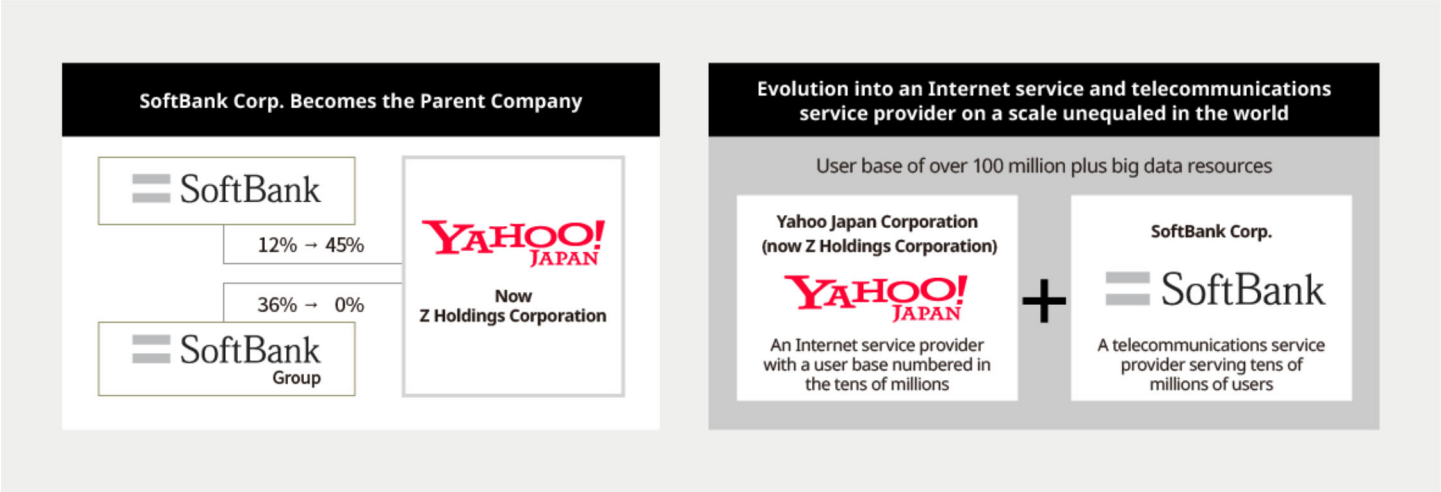
Consolidated Subsidiary of SoftBank Corp.

By pursuing synergies, we will expand our customer base and accelerate the provision of services to meet user needs.

In June 2019, Z Holdings Corporation (then Yahoo Japan Corporation) became a consolidated subsidiary of SoftBank Corp. (“SoftBank”) There have been few examples anywhere in the world of the formation of a single corporate entity by an Internet service company and telecommunications carrier, each with user bases numbered in the tens of millions. Under this structure, we are working closely with SoftBank to make timely strategic decisions about technology development and other aspects of our activities. Going forward, we will further deepen and expand this collaborative relationship with SoftBank.

In addition to building on our past collaboration in the area of commerce, we are also working to expand inter-group personnel exchanges and strengthen our cooperation on marketing activities for the Media business.

Through these initiatives, we will maximize synergy benefits, reciprocally expand and enhance our customer bases, and accelerate the provision of services to meet user needs.



Transition to a Holding Company Structure

The new structure will allow flexible and timely decision-making while strengthening collaboration across the entire group.

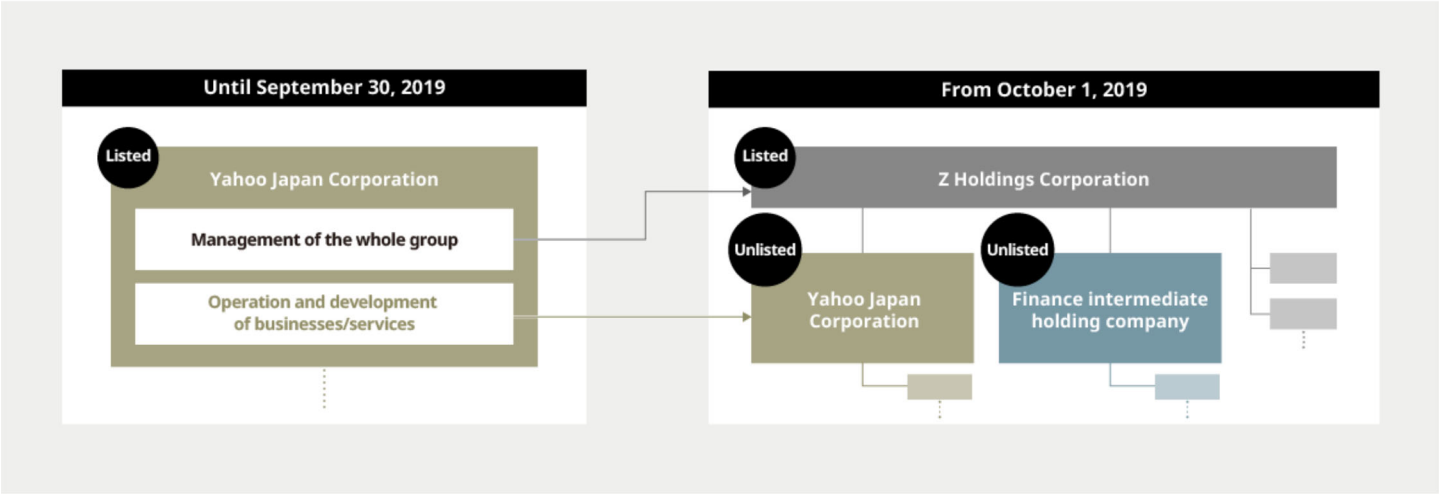
On October 1, 2019, we transitioned to a holding company structure and changed our trading name from “Yahoo Japan Corporation” to “Z Holdings Corporation”. The main aims of this structural change were as follows.

- Realization of flexible and expeditious decision-making and optimum distribution of business resources
- Strengthening of Groupwide collaboration by streamlining management functions
- Speedier implementation of business strategies
- Enhanced governance and increased transparency in the finance businesses

We have designated the period since fiscal year 2018 as the “third founding” of the Z Holdings Group. We are implementing measures to drive our evolution into a data enterprise, while moving forward with innovations in all of our fields of activity, including the expansion of PayPay and other services into offline fields. The keys to innovation in the rapidly changing Internet sector are timely, flexible decision-making, optimized deployment of management resources, and the acceleration of business strategy implementation. We decided that the best way to create an environment in which these things would be possible was by transitioning to a holding company structure. We also established an intermediate holding company, Z Financial Corporation, to coordinate our financial business. We took that path because the finance business requires stronger governance and the implementation of business and financial management measures that differ from those required for the Internet business.

Through these measures, we will continue to strengthen our initiatives toward the further expansion of our business areas and maximization of our corporate value.

> Establishment of Split Preparation Companies, Execution of an Agreement Regarding Absorption-type Company Split, and Amendment to the Articles of Incorporation (Change in Trade Name) Pursuant to Transition to a Holding Company Structure through a Company Split (April 25, 2019).



Acquisition of ZOZO, Inc. as a Consolidated Subsidiary

We will work toward further growth by strengthening the business from three perspectives.

On November 13, 2019 we completed the acquisition of ZOZO, Inc. as a consolidated subsidiary. We will pave the way for further growth by enhancing our ability to attract customers through reciprocal referrals between our customer bases, further expansion of our activities in the fashion area, and the improvement of user convenience.

Attracting increased business through the reciprocal referral of customers

Our customer base encompasses all age groups but is weighted toward middle-aged and older people, while ZOZO, Inc. has large numbers of younger users. By linking the e-commerce sites of both companies, we will be able to guide users reciprocally from one site to services offered on the other. This will maximize the ability of both companies to attract customers to their services.

Further expansion of fashion-related activities

We will strengthen our line-up of fashion-related e-commerce services by establishing a ZOZOTOWN outlet on the PayPay Mall. This will also enable merchants with ZOZOTOWN outlets to open stores on the PayPay Mall at the same time, providing an expanded user base with access to a wide range of products.

Enhancing user convenience

We will use the wide-ranging assets of the Z Holdings Group to enhance user convenience. For example, we will introduce the PayPay smartphone payment service for ZOZOTOWN users.

Business Integration with LINE Corporation

We will work with the LINE Group to create innovative business models to update society and industry.

In November 2019, we announced the business integration of Z Holdings Corporation and LINE Corporation with equal spirit. In December 2019 a definitive agreement was concluded among four companies, including our parent companies, SoftBank Corp. and NAVER Corporation. We aim to complete the business integration in March 2021.

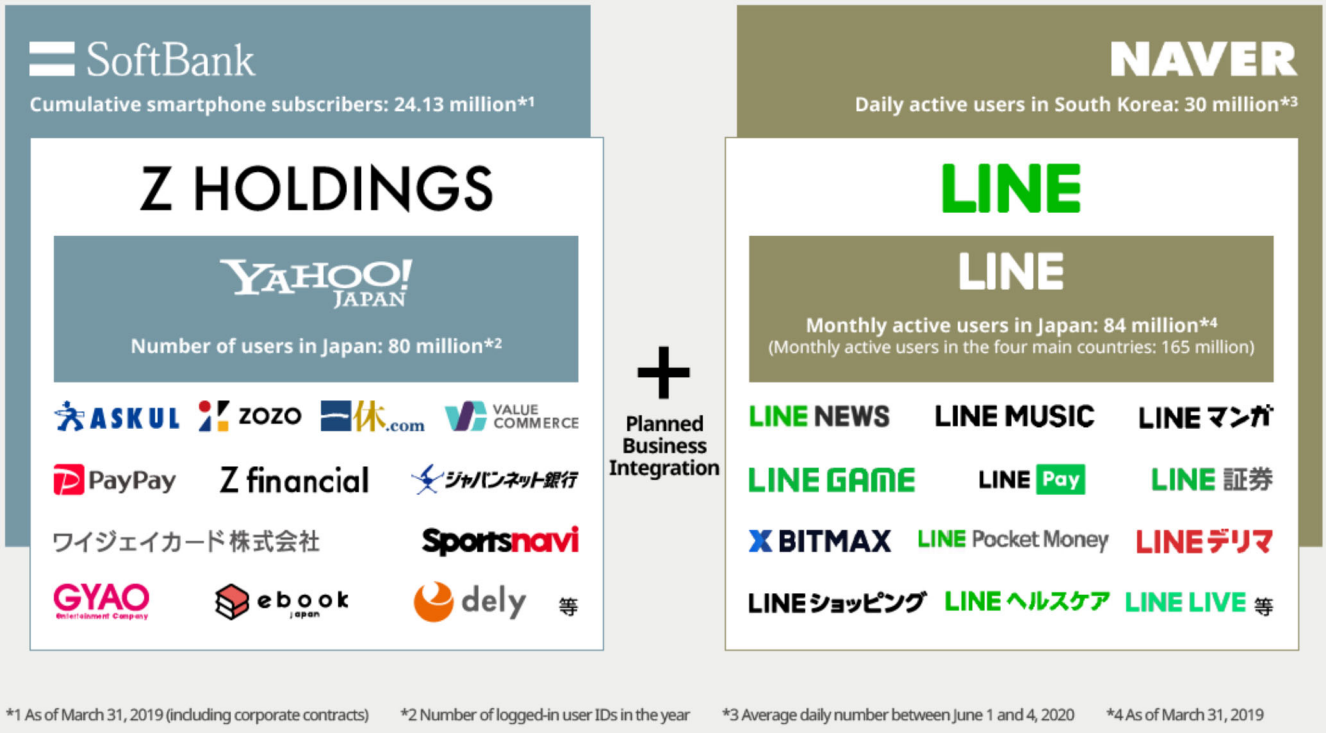
Foreign companies, especially those based in the United States and China, currently dominate the Internet market. In terms of corporate scale, there is a major gap between these giants and companies in Japan or Asian countries other than China. In this environment, attention is now focusing on the role of technologies, such as AI. These technologies have enormous potential, including the ability to improve productivity at a time when working populations are shrinking. They can also provide rapid-response capabilities when natural disasters occur. These factors were reflected in our decision on the business integration with LINE.

There are opportunities for wide-ranging collaboration between the Z Holdings Group, which has developed an extensive line-up of services in Japan and has built a solid user base and substantial assets, and the LINE Group, which offers a diverse array of services and has a user base of 82 million monthly active users in Japan and around 100 million in other countries. We will integrate the management resources of both groups, strengthen our respective business areas, and implement growth investment in new business areas. The business integration will enable us to enhance the convenience of the user experience in Japan, and to create innovative business models to update Japanese society and industry. By deploying this innovative model throughout Asia and the world, we aim to become an AI tech company that leads the world from Japan and Asia.

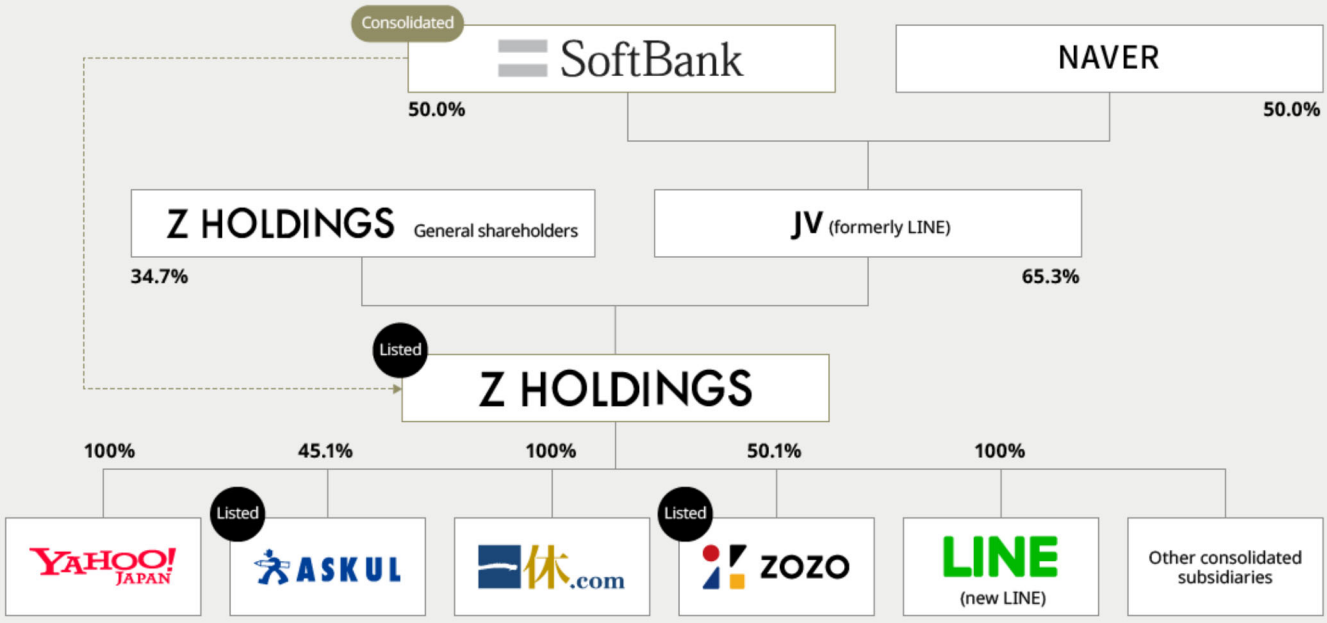
> Z Holdings and LINE to Combine with Equal Spirit

Main aims of the business integration

•Advertising and marketing business synergies
•Synergies in attracting customers in the e-commerce business
•Synergies with the Fintech business
•Synergies in new business/system development



Group structure after the business integration



Post-merger executive team

After the General Meeting of Shareholders and until the merger	After the business integration
Kentaro Kawabe	Kentaro Kawabe
Takao Ozawa	Takeshi Idezawa
Taku Oketani	Takao Ozawa
Masayoshi Son	Jungho Shin
Ken Miyauchi	Jun Masuda
Kazuhiko Fujihara	Taku Oketani
Shingo Yoshii*	Yoshio Usumi*
Hiromi Onitsuka-Baur*	Maiko Hasumi*
Yoshio Usumi*	Tadashi Kunihiro*
	Rehito Hatoyama*

* Directors serving on the Audit and Supervisory Committee

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