



September 30, 2021

To whom it may concern

Z Holdings Corporation
Kentaro Kawabe
President and Representative Director, Co-CEO
Stock Code: 4689

Notice of Change in Subsidiary (Sub-subsidiary)

Z Holdings Corporation (hereinafter "Company") hereby announces that it has, as of September 30, 2021, decided to enter into a transaction agreement with LINE Digital Frontier Corporation (Representative Director: Kim Jun-koo; hereinafter "LDF") and NAVER Corporation (President & CEO: Han Seong-sook; hereinafter "NAVER"; and the agreement, "Transaction Agreement"), regarding the terms and conditions related to the series of transactions to be implemented on the premise that eBOOK Initiative Japan Co., Ltd., a subsidiary (sub-subsidiary) of the Company (President and Representative Director: Masamine Takahashi; hereinafter "eBOOK") goes private (hereinafter the series of transactions, "Transactions").

Based on the Transaction Agreement and as a result of the Transactions, eBOOK will not be a subsidiary (sub-subsidiary) of the Company, and a change in subsidiary (sub-subsidiary) of the Company is expected. Details are as follows.

1. Reason and method of change

As of September 30, 2021, the Company has decided to enter into the Transaction Agreement with LDF and NAVER, regarding the terms and conditions related to the Transactions.

In essence, the Transactions consist of the following transactions:

- ① LDF will implement a tender offer (a tender offer under the Financial Instruments and Exchange Act, hereinafter "Tender Offer") for all¹ of the common shares of eBOOK (hereinafter "eBOOK Shares") and all of the stock acquisition rights of eBOOK².

¹ Includes eBOOK shares to be delivered upon exercise of stock acquisition rights issued by eBOOK (hereinafter "eBOOK Stock Acquisition Rights"), and excludes eBOOK shares held by the Company's subsidiary, Yahoo Japan Corporation (hereinafter "Yahoo Japan") and treasury stocks held by eBOOK. The same applies hereinafter.

² Under the Transaction Agreement, the Company has agreed not to allow Yahoo Japan to tender the eBOOK shares held by Yahoo Japan in the Tender Offer.

There will be no change in the number of eBOOK shares held by the Company through Yahoo Japan, before and after the Tender Offer. For details on the Tender Offer, please refer to the eBOOK's announcement as of today, "Notice Regarding Expression of Opinion and Recommendation to Tender Shares in the Tender Offer by LINE Digital Frontier Corporation for the Company's Shares, etc." (Japanese only)

- ② On the condition that the Tender Offer is consummated, NAVER will make a capital injection of up to JPY16,049 million to its subsidiary, WEBTOON Entertainment Inc. (hereinafter "WEBTOON Entertainment")³, and WEBTOON Entertainment will make a capital injection of up to JPY16,049 million to its subsidiary, LDF⁴, on or after the last day of the Tender Offer period and before the commencement date of the settlement of the Tender Offer.

³ As of today, WEBTOON Entertainment is a joint venture between (i) NAVER and (ii) the Company's subsidiary, LINE Corporation (hereinafter "LINE"), with an ownership ratio of (i) : (ii) = 66.6% : 33.4%.

⁴ The said capital injection is expected to be made by WEBTOON Entertainment itself and by its wholly owned subsidiary, NAVER WEBTOON Limited.

- ③ If the Tender Offer is consummated but LDF is not able to acquire all of the eBOOK Shares and all of the eBOOK Stock Acquisition Rights, a share consolidation of eBOOK shares (hereinafter "Share Consolidation") will be implemented for the purpose of making LDF and Yahoo Japan the only shareholders of eBOOK. Thereafter, eBOOK will sell, subject to the approval of the court, the shares corresponding to the total number (rounded down to the nearest share) of fractions resulting from the Share Consolidation to LDF at the price obtained by multiplying the number of shares before the Share Consolidation corresponding to such fractions by the Tender Offer price (hereinafter "Fractional Share Treatment").

- ④ On the condition that the series of transactions to make LDF and Yahoo Japan the only shareholders of eBOOK is consummated, a triangular share exchange (hereinafter "Triangular Share Exchange") will be implemented as a result of which LDF will become the wholly-owning parent company of eBOOK, and eBOOK will become the wholly-owned subsidiary company. Consideration for the Triangular Share Exchange will be the shares of WEBTOON Entertainment.

- ⑤ On the condition that the Triangular Share Exchange takes effect, the WEBTOON Entertainment shares delivered to Yahoo Japan as consideration for the Triangular Share Exchange will be transferred from Yahoo Japan to the

Company as dividend in kind or by other means.

- ⑥ On the condition that the Triangular Share Exchange takes effect, adjustments will be made so that the ownership ratio of the shareholders of WEBTOON Entertainment: (i) NAVER and (ii) LINE and the Company, in WEBTOON Entertainment will be equal to the ownership ratio as of the date of this announcement ((i) : (ii) = 66.6% : 33.4%). Accordingly, an additional capital injection from NAVER to WEBTOON Entertainment will be made to ensure that the acquisition of the shares of WEBTOON Entertainment by NAVER and by LINE and the Company through these Transactions will be proportional to the ownership ratio.

As a result of the Transactions, LDF is expected to become the parent company of eBOOK, and eBOOK is expected not to be the subsidiary (sub-subsidiary) of the Company.

By aggregating the Z Holdings Group's co-existing e-book businesses under the umbrella of WEBTOON Entertainment through these Transactions, the Company will be able to strengthen ties with the WEBTOON Entertainment Group, which is actively engaged in global investments, and by leveraging the know-how accumulated by the WEBTOON Entertainment Group, the Company also expects further growth through business synergies in multiple domains.

Please note that the collaborative relationship between eBOOK and Yahoo Japan including the consignment of e-book sales service operation, etc., noted in the table in "(1) eBOOK Initiative Japan Co., Ltd." in "2. Outline of the subsidiary (sub-subsidiary) subject to change" is expected to continue.

2. Outline of the subsidiary (sub-subsidiary) subject to change

(1) eBOOK Initiative Japan Co., Ltd.

(1)	Name	eBOOK Initiative Japan Co., Ltd.	
(2)	Location	1-12-1 Kojimachi, Chiyoda-ku, Tokyo, Japan	
(3)	Title and name of representative	President and Representative Director Masamine Takahashi	
(4)	Description of business	E-book business, cross-media business	
(5)	Capital amount	JPY904 million (As of March 31, 2021)	
(6)	Date of incorporation	May 17, 2000	
(7)	Major shareholder and	Yahoo Japan Corporation	43.39%

shareholding ratio (As of March 31, 2021)	BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC) (Standing proxy: MUFG Bank, Ltd.)		3.53%	
	JP MORGAN CHASE BANK 385632 (Standing proxy: Mizuho Bank, Ltd.)		2.33%	
	Kohei Terada		2.30%	
	Custody Bank of Japan, Ltd. (Trust account)		1.74%	
	The Master Trust Bank of Japan, Ltd. (Trust account)		1.57%	
	SHOGAKUKAN Inc.		1.42%	
	SBI SECURITIES Co., Ltd.		1.36%	
	BBH FOR FIDELITY PURITAN TR: FIDELITY SR INTRINSIC OPPORTUNITIES FUND (Standing proxy: MUFG Bank, Ltd.)		0.89%	
	Custody Bank of Japan, Ltd. (Trust account 5)		0.87%	
(8)	Relationship between the Company and this company	Capital relationship	Through the consolidated subsidiary, Yahoo Japan Corporation, the Company owns shares equivalent to 43.42% (as of March 31, 2021) of the voting rights of this company.	
		Personal relationship	Two directors and one auditor of this company concurrently serve in Yahoo Japan Corporation, a consolidated subsidiary of the Company. In addition, employees of Yahoo Japan Corporation are seconded to this company.	
		Business relationship	Yahoo Japan Corporation, a consolidated subsidiary of the Company has transactions with this company, such as consignment of e- book sales service operation.	
(9)	Business results of this company for the past three years			
	Fiscal year	March 2019	March 2020	March 2021
	Net assets (JPY million)	3,400	3,800	4,473
	Total assets (JPY million)	7,202	8,971	11,481

	Net assets per share (JPY)	600.07	669.90	788.23
	Net sales (JPY million)	14,786	21,281	29,951
	Operating income (JPY million)	583	793	957
	Ordinary income (JPY million)	593	795	956
	Net income (JPY million)	166	544	663
	Net income per share (JPY)	29.80	97.54	117.79
	Dividend per share (JPY)	-	-	-

3. Date of change

Based on the results of the Tender Offer, the change in subsidiary will occur on the commencement date of the settlement of the Tender Offer (scheduled on November 22, 2021) or the completion date of the Fractional Share Treatment (scheduled to be around January, 2022). A separate announcement will be made as soon as the specific schedule, etc. are determined.

4. Future outlook

The Company expects the impact of this change in the said subsidiary on its FY2021 consolidated business results to be minor. Should there be any matters that need to be disclosed in the future, they will be announced promptly.

(Reference) Consolidated performance estimates (announced on August 3, 2021) and consolidated performance of previous fiscal year

(JPY million)	Revenue	Adjusted EBITDA
Consolidated performance estimates of this fiscal year (Fiscal year ending March 31, 2022)	1,520,000-1,570,000	303,000-313,000
Consolidated performance of previous fiscal year (Fiscal year ended March 31, 2021)	1,205,846	294,837

Disclaimer

This is an English translation of the captioned release. This translation is prepared and provided for the purpose of the reader's convenience. All readers are recommended to refer to the original version in Japanese of the release for complete information.