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August 3, 2023

Kakaku.com, Inc.
Consolidated Earnings Report for the
First Quarter of the Fiscal Year Ending March 31, 2024

Stock listings: Tokyo Stock Exchange
Securities code: 2371
URL: <https://corporate.kakaku.com/>
Representative: Shonosuke Hata, President and Representative Director
Information contact: Kiyooki Shirakawa
Executive Officer, Corporate Management Division General Manager
Telephone: +81-3-5725-4554

Scheduled dates

Filing of statutory quarterly financial report: August 7, 2023

Dividend payout: –

Supplementary materials to financial results available: Yes

Quarterly earnings presentation held: Yes (for institutional investors and analysts)

(Amounts of less than one million yen are rounded.)

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2024

(1) Consolidated Operating Results

(% = year-on-year change)

| | Revenue | | Operating profit | | Profit before income taxes | | Profit for the period | | Profit attributable to owners of the parent company | | Total comprehensive income for the period | |
|-------------|-----------|------|------------------|-------|----------------------------|-------|-----------------------|--------|---|--------|---|--------|
| | ¥ million | % | ¥ million | % | ¥ million | % | ¥ million | % | ¥ million | % | ¥ million | % |
| Q1 FY2024/3 | 15,362 | 9.6 | 5,171 | (3.8) | 5,296 | (6.2) | 3,649 | (12.5) | 3,651 | (12.5) | 3,683 | (12.0) |
| Q1 FY2023/3 | 14,015 | 16.6 | 5,374 | 33.9 | 5,645 | 42.3 | 4,169 | 52.5 | 4,171 | 51.6 | 4,185 | 55.0 |

| | Basic earnings per share | Diluted earnings per share |
|-------------|--------------------------|----------------------------|
| | ¥ | ¥ |
| Q1 FY2024/3 | 18.15 | 18.14 |
| Q1 FY2023/3 | 20.38 | 20.37 |

(Note) Due to the application of IAS 12 “Income Taxes” (amended in May 2021), figures after the retrospective application are stated for the three months ended June 30, 2022.

(2) Consolidated Financial Position

| | Total assets | Total equity | Total equity attributable to owners of the parent company | Total equity attributable to owners of the parent company ratio |
|----------------------|--------------|--------------|---|---|
| | ¥ million | ¥ million | ¥ million | % |
| As of June 30, 2023 | 80,097 | 47,847 | 47,565 | 59.4 |
| As of March 31, 2023 | 78,583 | 48,165 | 47,881 | 60.9 |

(Note) Due to the application of IAS 12 “Income Taxes” (amended in May 2021), figures after the retrospective application are stated for the fiscal year ended March 31, 2023.

2. Dividends

| | Annual dividends | | | | |
|------------------------|------------------|-------|----|----------|--------------|
| | Q1 | Q2 | Q3 | Year end | Annual total |
| | ¥ | ¥ | ¥ | ¥ | ¥ |
| FY2023/3 | – | 20.00 | – | 20.00 | 40.00 |
| FY2024/3 | – | | | | |
| FY2024/3 (Forecast) | | 23.00 | – | 23.00 | 46.00 |

(Note) Revisions to most recent dividend forecasts: None

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(% = year-on-year change)

| | Revenue | | Operating profit | | Profit before income taxes | | Profit attributable to owners of the parent company | | Basic earnings per share |
|--------------------------------------|-----------|------|------------------|------|----------------------------|------|---|------|--------------------------|
| | ¥ million | % | ¥ million | % | ¥ million | % | ¥ million | % | ¥ |
| Six months ending September 30, 2023 | 31,600 | 11.9 | 11,900 | 9.1 | 11,800 | 4.1 | 8,100 | 0.6 | 40.28 |
| Full year | 67,700 | 11.3 | 27,100 | 13.2 | 26,900 | 15.7 | 18,400 | 13.9 | 91.49 |

(Notes) 1. Revisions to most recent earnings forecasts: None

2. Due to the application of IAS 12 “Income Taxes” (amended in May 2021), figures after the retrospective application are used to calculate percentage changes from the fiscal year ended March 31, 2023 and the six months ended September 30, 2022.

*Notes

(1) Changes in significant subsidiaries during the period: None

(2) Accounting policy changes and accounting estimate changes:

i) Changes in accounting policies required by IFRS: Yes

ii) Changes other than the above i): None

iii) Changes in accounting estimates: None

(Note) Details are as described in “(Changes in accounting policies) in (6) Notes on the Condensed Consolidated Financial Statements in 2. Condensed Consolidated Financial Statements.”

(3) Number of shares issued (common stock)

i) Number of shares issued at end of period (treasury shares included):

June 30, 2023: 201,763,000 shares

March 31, 2023: 201,763,000 shares

ii) Number of shares held in treasury at end of period:

June 30, 2023: 659,087 shares

March 31, 2023: 659,087 shares

iii) Average number of shares outstanding during the period:

June 30, 2023: 201,103,913 shares

June 30, 2022: 204,607,295 shares

* Quarterly consolidated earnings reports are exempt from the quarterly review procedures of certified public accountants and the accounting auditor.

***Appropriate Use of Earnings Forecasts and Other Important Information**

(Disclaimer Regarding Forward-Looking Statements)

Forward-looking statements in this document, including forecasts, are based on information available to the Company at the time of the announcement, which the Company assumes to be reasonable. Therefore, the Company does not guarantee the achievement of forecasts and other forward-looking statements. Actual business and other results may differ substantially due to various factors.

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1. Operating Results and Financial Position

The Company is applying IAS 12 “Income Taxes” (amended in May 2021) from the first quarter ended June 30, 2023 and figures after the retrospective application are used for comparative analysis with the three months ended June 30, 2022 and the fiscal year ended March 31, 2023. The adoption of this standard does not have a material impact on these condensed consolidated financial statements.

Details of changes in accounting policies are as described in “(Changes in accounting policies) in (6) Notes on the Condensed Consolidated Financial Statements in 2. Condensed Consolidated Financial Statements.”

(1) Operating Results

The Company’s operating results for the three months ended June 30, 2023, are as follows.

Consolidated revenue increased 9.6% year on year to 15,362 million yen. This was mainly due to an increase in revenue for Tabelog’s restaurant promotion business, the Kyujin Box business, and the domain of travel/transportation in the New Media and Solutions business, as the impact from the COVID-19 pandemic has been winding down, and economic and social activities have been normalizing. On the other hand, revenue in the Kakaku.com business declined.

Consolidated operating profit decreased 3.8% year on year to 5,171 million yen. This was mainly due to increases in advertising expenses and commission expenses in relation to the growth of the Tabelog business and the Kyujin Box business, despite the increase in revenue.

Consolidated profit before income taxes decreased 6.2% year on year to 5,296 million yen. This was mainly due to decreases in operating profit and finance income.

Consolidated profit attributable to owners of the parent company decreased 12.5% year on year to 3,651 million yen.

Operating results (after intersegment eliminations) are presented below by business segment.

(a) Internet Media Business

The Internet media business’s revenue increased 10.8% year on year to 14,729 million yen while its segment income decreased 2.0% year on year to 5,077 million yen in the three months ended June 30, 2023.

(Kakaku.com)

Kakaku.com’s revenue decreased 9.5% year on year to 4,487 million yen in the three months ended June 30, 2023.

The shopping business’s revenue decreased year on year due to such impacts as fewer new products, the prolonging of other constraints on the supply side, and the price hikes caused by exchange rate fluctuations. The advertising business’s revenue decreased year on year due to such impacts as fewer new products, the prolonging of other constraints on the supply side, and the decrease in advertisement placements resulting from increased manufacturing costs caused by exchange rate fluctuations. In the service business, revenue increased due to a revitalization of personal consumption following the winding down of the COVID-19 pandemic.

As a result, revenue in the shopping business decreased 13.0% year on year to 1,838 million yen, revenue in the service business increased 3.9% year on year to 2,021 million yen, and revenue in the advertising business fell 30.1% year on year to 628 million yen.

Kakaku.com had 39.21 million monthly unique users¹ in June 2023.

(Tabelog)

Tabelog’s revenue increased 19.2% year on year to 6,404 million yen in the three months ended June 30, 2023.

The restaurant promotion business’s revenue increased 22.9% year on year to 5,681 million yen. As a result of the steady rise in the demand for dining out that has accompanied normalization of economic and social activities, online reservations increased 48.9% year on year to a total of 18.23 million people in the three months ended June 30, 2023. Due to the increase in the number of restaurants using online reservation services, the total number of restaurants with paid plans was 69,800 as of June 30, 2023.

The premium membership business’s revenue rose 1.4% year on year to 374 million yen due to an increase in fee-paying members. The advertising business’s revenue declined 2.9% year on year to 349 million yen.

Tabelog had 91.39 million monthly unique users¹ in June 2023.

(Kyujin Box)²

Kyujin Box’s revenue increased 42.1% year on year to 1,985 million yen in the three months ended June 30, 2023.

The Kyujin Box business had increases in monthly unique users and the number of paid job advertisements.

Kyujin Box had 9.10 million average monthly unique users¹ in the first quarter ended June 30, 2023.

(New Media and Solutions)²

The New Media and Solutions business’s revenue increased 18.4% year on year to 1,853 million yen in the three months ended June 30, 2023.

In the New Media and Solutions business, revenue increased in the domain of travel/transportation.

(b) Finance Business

The finance business’s revenue decreased 12.4% year on year to 633 million yen, while its segment income fell 50.8% year on year to 94 million yen in the three months ended June 30, 2023.

Commission income at Kakaku.com Insurance, a site operated by consolidated subsidiary Kakaku.com Insurance, Inc., decreased mainly due to a reduction in applications for life insurance coverage and medical insurance.

- (Notes) 1. Monthly unique users are counted as the number of browsers that visited the site (for certain browsers, operating systems, etc., there may be instances in which users who re-visited the site after a certain period of time are counted multiple times). Double-counting as a side effect of high-speed loading of mobile webpages and mechanical accesses by third parties' web-scraping bots etc. are eliminated from the count to the fullest extent possible. Tabelog's support of AMP (Accelerated Mobile Pages) ended in February 2022.
2. The Kyujin Box business, which was previously included in the former [New Media and Solutions] has had its own segment added from the three months ended June 30, 2023 due to its increased monetary materiality. In response to this change, the figures used for year-on-year comparison are based on the changed segment structure.

(2) Financial Position

1) Analysis of Financial Position

Assets

Consolidated assets at June 30, 2023, totaled 80,097 million yen, a 1,514 million yen increase from March 31, 2023. The increase was mainly the net result of a 3,540 million yen decline in cash and cash equivalents being offset by a 4,651 million yen increase in other current assets.

Liabilities

Consolidated liabilities at June 30, 2023, totaled 32,250 million yen, a 1,832 million yen increase from March 31, 2023. The increase was mainly the net result of a 3,047 million yen decline in income taxes payable and a 976 million yen decline in other financial liabilities (current) being offset by a 5,700 million yen increase in other current liabilities.

Equity

Consolidated equity at June 30, 2023, totaled 47,847 million yen, a 318 million yen decrease from March 31, 2023. This was mainly the net result of a declaration of a 4,022 million yen dividend from retained earnings despite recording profit attributable to owners of the parent company of 3,651 million yen.

2) Cash Flows

Cash and cash equivalents ("cash") at June 30, 2023, totaled 32,912 million yen, a 3,540 million yen decrease from March 31, 2023. Cash flows from operating, investing, and financing activities were as follows.

Cash flows from operating activities

Operating activities provided net cash of 1,114 million yen (vs. 5,135 million yen provided in the year-earlier period). The main outflows were 4,720 million yen of income taxes paid and 4,651 million yen of increase in other current assets, which were offset by 5,296 million yen of profit before income taxes and 5,700 million yen of increase in other current liabilities.

Cash flows from investing activities

Investing activities used net cash of 237 million yen (vs. 444 million yen used in the year-earlier period). This was primarily due to 359 million yen used to purchase intangible assets, including server software, despite an inflow of 194 million yen in proceeds from sale of investments in associates.

Cash flows from financing activities

Financing activities used net cash of 4,431 million yen (vs. 4,440 million yen used in the year-earlier period). This was primarily due to 4,003 million yen for dividends paid.

(3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements

The consolidated earnings forecasts for the six months ending September 30, 2023, and the fiscal year ending March 31, 2024, that were disclosed in the Consolidated Earnings Report for the Fiscal Year Ended March 31, 2023, released on May 10, 2023, remain unchanged.

2. Condensed Consolidated Financial Statements
(1) Condensed Consolidated Statement of Financial Position

(Millions of yen)

| | As of March 31, 2023 | As of June 30, 2023 |
|---|----------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 36,453 | 32,912 |
| Trade and other receivables | 10,039 | 10,023 |
| Other financial assets | 530 | 375 |
| Other current assets | 8,450 | 13,100 |
| Total current assets | 55,472 | 56,411 |
| Non-current assets | | |
| Property, plant and equipment | 2,360 | 2,223 |
| Right-of-use assets | 5,763 | 6,438 |
| Goodwill and other intangible assets | 7,446 | 7,364 |
| Investments accounted for using equity method | 346 | 351 |
| Other financial assets | 5,794 | 5,943 |
| Deferred tax assets | 1,316 | 1,286 |
| Other non-current assets | 86 | 81 |
| Total non-current assets | 23,111 | 23,686 |
| Total assets | 78,583 | 80,097 |

(Millions of yen)

| | As of March 31, 2023 | As of June 30, 2023 |
|---|----------------------|---------------------|
| Liabilities | | |
| Current liabilities | | |
| Trade and other payables | 3,616 | 3,299 |
| Bonds and borrowings | 531 | 497 |
| Other financial liabilities | 1,993 | 1,017 |
| Income taxes payable | 4,728 | 1,681 |
| Lease liabilities | 1,036 | 1,370 |
| Employee benefit obligations | 1,978 | 1,812 |
| Other current liabilities | 11,178 | 16,878 |
| Total current liabilities | 25,060 | 26,554 |
| Non-current liabilities | | |
| Bonds and borrowings | 163 | 153 |
| Lease liabilities | 4,228 | 4,558 |
| Provisions | 562 | 552 |
| Other non-current liabilities | 405 | 432 |
| Total non-current liabilities | 5,358 | 5,696 |
| Total liabilities | 30,418 | 32,250 |
| Equity | | |
| Capital stock | 916 | 916 |
| Capital surplus | 64 | 64 |
| Retained earnings | 48,136 | 47,765 |
| Treasury shares | (1,596) | (1,596) |
| Other components of equity | 360 | 415 |
| Total equity attributable to owners of the parent company | 47,881 | 47,565 |
| Non-controlling interests | 284 | 282 |
| Total equity | 48,165 | 47,847 |
| Total liabilities and equity | 78,583 | 80,097 |

(2) Condensed Consolidated Statement of Income

(Millions of yen)

| | Three months ended June 30, 2022 | Three months ended June 30, 2023 |
|---|-------------------------------------|-------------------------------------|
| Revenue | 14,015 | 15,362 |
| Operating expenses | 8,601 | 10,193 |
| Other income | 4 | 5 |
| Other expenses | 45 | 4 |
| Operating profit | 5,374 | 5,171 |
| Finance income | 289 | 127 |
| Finance expenses | 9 | 6 |
| Share of profit (loss) of associates and joint ventures accounted for by the equity method | (9) | 5 |
| Profit before income taxes | 5,645 | 5,296 |
| Income tax expense | 1,476 | 1,647 |
| Profit | 4,169 | 3,649 |
| Profit attributable to: | | |
| Owners of the parent company | 4,171 | 3,651 |
| Non-controlling interests | (2) | (2) |
| Earnings per share | | |
| Basic earnings per share (yen) | 20.38 | 18.15 |
| Diluted earnings per share (yen) | 20.37 | 18.14 |

(3) Condensed Consolidated Statement of Comprehensive Income

(Millions of yen)

| | Three months ended June 30, 2022 | Three months ended June 30, 2023 |
|--|-------------------------------------|-------------------------------------|
| Profit | 4,169 | 3,649 |
| Other comprehensive income (Net of related tax effect) | | |
| Items that will not be reclassified to profit or loss | | |
| Net changes in fair value of financial assets measured at fair value through other comprehensive income | 16 | 31 |
| Total items that will not be reclassified to profit or loss | 16 | 31 |
| Items that may be reclassified to profit or loss | | |
| Exchange differences on translation of foreign operations | 0 | 3 |
| Share of other comprehensive income of associates and joint ventures accounted for using the equity method | (0) | 0 |
| Total items that may be reclassified to profit or loss | 0 | 3 |
| Other comprehensive income (Net of related tax effect) | 16 | 34 |
| Comprehensive income | 4,185 | 3,683 |
| Comprehensive income attributable to: | | |
| Owners of the parent company | 4,187 | 3,685 |
| Non-controlling interests | (2) | (2) |

(4) Condensed Consolidated Statements of Changes in Equity
Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)

(Millions of yen)

| | Equity attributable to owners of the parent company | | | | | | | | | | Non-controlling interests | Total equity |
|--|---|-----------------|-------------------|-----------------|---|---|--|-------------------------------|----------------------------------|---------|---------------------------|--------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Other components of equity | | | | | Total | | |
| | | | | | Net changes in fair value of financial assets measured at fair value through other comprehensive income | Exchange differences on translation of foreign operations | Share of other comprehensive income of associates and joint ventures accounted for using the equity method | Subscription rights to shares | Total other components of equity | | | |
| Balance at beginning of period | 916 | 141 | 48,621 | (2,175) | 117 | (14) | (4) | 354 | 454 | 47,956 | 208 | 48,164 |
| Cumulative effects of changes in accounting policies | - | - | 5 | - | - | - | - | - | - | 5 | - | 5 |
| Restated balance | 916 | 141 | 48,626 | (2,175) | 117 | (14) | (4) | 354 | 454 | 47,961 | 208 | 48,169 |
| Profit | - | - | 4,171 | - | - | - | - | - | - | 4,171 | (2) | 4,169 |
| Other comprehensive income | - | - | - | - | 16 | 0 | (0) | - | 16 | 16 | 0 | 16 |
| Total comprehensive income | - | - | 4,171 | - | 16 | 0 | (0) | - | 16 | 4,187 | (2) | 4,185 |
| Dividends | - | - | (4,092) | - | - | - | - | - | - | (4,092) | - | (4,092) |
| Purchase or disposal of treasury shares | - | - | (2) | 10 | - | - | - | (1) | (1) | 6 | - | 6 |
| Share-based payment transactions | - | - | - | - | - | - | - | 19 | 19 | 19 | - | 19 |
| Other | - | (0) | - | - | - | - | - | - | - | (0) | - | (0) |
| Total transactions with owners | - | (0) | (4,094) | 10 | - | - | - | 18 | 18 | (4,067) | - | (4,067) |
| Balance at end of period | 916 | 141 | 48,703 | (2,166) | 133 | (14) | (4) | 372 | 488 | 48,082 | 206 | 48,287 |

Three months ended June 30, 2023 (From April 1, 2023 to June 30, 2023)

(Millions of yen)

| | Equity attributable to owners of the parent company | | | | | | | | | | Non-controlling interests | Total equity |
|---|---|-----------------|-------------------|-----------------|---|---|--|-------------------------------|----------------------------------|---------|---------------------------|--------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Other components of equity | | | | | Total | | |
| | | | | | Net changes in fair value of financial assets measured at fair value through other comprehensive income | Exchange differences on translation of foreign operations | Share of other comprehensive income of associates and joint ventures accounted for using the equity method | Subscription rights to shares | Total other components of equity | | | |
| Balance at beginning of period | 916 | 64 | 48,136 | (1,596) | (44) | (13) | (6) | 424 | 360 | 47,881 | 284 | 48,165 |
| Profit | - | - | 3,651 | - | - | - | - | - | - | 3,651 | (2) | 3,649 |
| Other comprehensive income | - | - | - | - | 31 | 3 | 0 | - | 34 | 34 | (0) | 34 |
| Total comprehensive income | - | - | 3,651 | - | 31 | 3 | 0 | - | 34 | 3,685 | (2) | 3,683 |
| Dividends | - | - | (4,022) | - | - | - | - | - | - | (4,022) | - | (4,022) |
| Purchase or disposal of treasury shares | - | - | - | - | - | - | - | - | - | - | - | - |
| Share-based payment transactions | - | - | - | - | - | - | - | 21 | 21 | 21 | - | 21 |
| Other | - | (0) | - | - | - | - | - | - | - | (0) | - | (0) |
| Total transactions with owners | - | (0) | (4,022) | - | - | - | - | 21 | 21 | (4,001) | - | (4,001) |
| Balance at end of period | 916 | 64 | 47,765 | (1,596) | (13) | (10) | (6) | 445 | 415 | 47,565 | 282 | 47,847 |

(5) Condensed Consolidated Statement of Cash Flows

(Millions of yen)

| | Three months ended June 30, 2022 | Three months ended June 30, 2023 |
|--|-------------------------------------|-------------------------------------|
| Cash flows from operating activities | | |
| Profit before income taxes | 5,645 | 5,296 |
| Adjustments to reconcile profit before income taxes | | |
| Depreciation and amortization | 864 | 931 |
| Interest and dividend income | (0) | (3) |
| Decrease (increase) in trade and other receivables | (430) | 16 |
| Increase (decrease) in trade and other payables | (273) | (241) |
| Increase (decrease) in other financial liabilities | 1,513 | (995) |
| Decrease (increase) in other current assets | (4,232) | (4,651) |
| Increase (decrease) in other current liabilities | 5,775 | 5,700 |
| Other | (492) | (217) |
| Subtotal | 8,369 | 5,837 |
| Interest and dividend income received | 4 | 6 |
| Interest paid | (8) | (8) |
| Income taxes paid | (3,230) | (4,720) |
| Net cash provided by (used in) operating activities | 5,135 | 1,114 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (81) | (67) |
| Purchase of intangible assets | (356) | (359) |
| Proceeds from distribution of investment in partnerships | 5 | – |
| Proceeds from sale of investments in associates | – | 194 |
| Payments for lease and guarantee deposits | (16) | (11) |
| Other | 4 | 6 |
| Net cash provided by (used in) investing activities | (444) | (237) |

(Millions of yen)

| | Three months ended June 30, 2022 | Three months ended June 30, 2023 |
|---|-------------------------------------|-------------------------------------|
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | – | (30) |
| Repayments of long-term loans payable | (9) | (14) |
| Repayment of lease obligations | (354) | (380) |
| Purchase of treasury shares | (0) | (0) |
| Dividends paid | (4,080) | (4,003) |
| Proceeds from issuance of share options | 6 | – |
| Other | (4) | (4) |
| Net cash provided by (used in) financing activities | (4,440) | (4,431) |
| Effect of exchange rate change on cash and cash equivalents | 6 | 14 |
| Net increase (decrease) in cash and cash equivalents | 256 | (3,540) |
| Cash and cash equivalents at beginning of period | 34,298 | 36,453 |
| Cash and cash equivalents at end of period | 34,555 | 32,912 |

(6) Notes on the Condensed Consolidated Financial Statements

(Notes regarding the going concern assumption)

Not applicable.

(Changes in accounting policies)

The material accounting policies adopted for these condensed consolidated financial statements are the same as those for the consolidated financial statements for the fiscal year ended March 31, 2023, except for the following item.

Income tax expense for the three months ended June 30, 2023 was calculated based on the estimated average annual effective tax rate.

| IFRS | | Description of new standards and amendments |
|--------|--------------|--|
| IAS 12 | Income Taxes | Clarifying accounting process for deferred taxes on assets and liabilities arising from a single transaction |

The Group applied IAS 12 “Income Taxes” (amended in May 2021) from the first quarter ended June 30, 2023. The amendments clarified that if taxable temporary differences and deductible temporary differences of the same amount arise at the time of the transaction, such as in the case of leases and decommissioning obligations, the entity recognizes deferred tax liabilities and deferred tax assets when they arise due to this.

The amendments have been applied retrospectively and retrospective application is reflected in the condensed consolidated financial statements and consolidated financial statements regarding figures of the three months ended June 30, 2022 and the fiscal year ended March 31, 2023.

Consequently, in the consolidated statement of financial position as of March 31, 2023, deferred tax assets were increased by 25 million yen and retained earnings was increased by the same amount compared with those before the retrospective application. In addition, in the condensed consolidated statement of financial position for the three months ended June 30, 2023, deferred tax assets were increased by 16 million yen and retained earnings was increased by the same amount. In the condensed consolidated statement of income for the three months ended June 30, 2022, income tax expense was decreased by 1 million yen and profit was increased by the same amount. In addition, in the condensed consolidated statement of income for the three months ended June 30, 2023, income tax expense was increased by 9 million yen and profit was decreased by the same amount. Because the cumulative effect was reflected in equity at the beginning of the three months ended June 30, 2022, the beginning balance after retrospective application of retained earnings in the condensed consolidated statement of changes in equity was increased by 5 million yen.

(Significant subsequent events)

(Transfer of shares of subsidiary)

On August 1, 2023, the Company transferred all of its shares held in gaie Inc. to Toho Co., LTD. pursuant to a resolution by the Board of Directors on July 19, 2023. As a result of this share transfer, gaie Inc. will cease to be a consolidated subsidiary of the Company.

1. Reason for the transfer of shares
gaie Inc. (“gaie”), which has been a consolidated subsidiary of the Company was originally made a subsidiary of the Company in January 2018 with the objective of having it contribute to the consolidated business results over the medium and long term through growth of gaie’s businesses and achieving intra-group synergy based on gaie’s expert insights regarding digital promotion. However, as part of recent reorganization of business resources of the Company, the Company has transferred all its shares held in gaie to Toho Co., LTD, which is a major film distributor in Japan that has been promoting “digital” as a keyword for its growth strategy.
2. Name of company to which shares were transferred
Toho Co., LTD.
3. Date of the transfer of shares
August 1, 2023
4. Name of subsidiary, its business, and its transactions with the Company
 - (1) Name: gaie Inc.
 - (2) Description of business: Digital promotion, PR, advertising, and website production in relation to movies, etc.
 - (3) Business transactions with the Company: The Company is commissioned to provide some administrative services.
5. Reportable segment that contained the transferred company
Internet Media Business
6. Number of shares transferred, transfer price, and shareholding ratio after the transfer
 - (1) Number of shares transferred: 2,000 shares
 - (2) Shareholding ratio after the transfer: - %
(Note) The transfer price cannot be disclosed based on the contracts between the parties.
7. Future outlook
The Company expects to record the effect of the share transfer on its consolidated financial results in the six months ending September 30, 2023 as a gain on sale of shares of subsidiaries, however, the Company is still examining the specific details of the impact.