

**English Translation**

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**mercari**

**Consolidated Financial Results**  
**for the Three Months Ended September 30, 2023**  
**[IFRS]**

November 13, 2023

Company name: Mercari, Inc.

Stock exchange listing: Tokyo Stock Exchange

Code number: 4385

URL: <https://about.mercari.com/en/>

Representative: Shintaro Yamada, Representative Executive Officer and CEO

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Scheduled date of filing quarterly securities report: November 13, 2023

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Available

Schedule of quarterly financial results briefing session: None

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

**1. Consolidated Financial Results for the Three Months Ended September 30, 2023 (the “Period”)**  
**(July 1, 2023, to September 30, 2023)**

(1) Consolidated Operating Results (cumulative) (% indicates changes from the previous corresponding period.)

	Revenue		Core operating profit		Operating profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
September 30, 2023	44,271	11.2	4,716	81.5	4,477	73.7	2,814	407.0
September 30, 2022	39,800	–	2,599	–	2,577	–	555	–

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Three months ended						
September 30, 2023	2,811	346.4	3,221	179.8	17.27	16.54
September 30, 2022	629	–	1,151	–	3.91	3.86

(Reference) Profit before tax

Three months ended September 30, 2023: ¥4,577 million [80.8%]

Three months ended September 30, 2022: ¥2,531 million [-%]

(Note) Core operating profit is calculated by deducting other income and other expenses from operating profit.

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**(2) Consolidated Financial Position**

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
	Millions of yen	Millions of yen	Millions of yen	%
As of September 30, 2023	430,399	59,803	59,483	13.8
As of June 30, 2023	418,349	55,659	55,346	13.2

**2. Dividends**

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended June 30, 2023	—	0.00	—	0.00	0.00
Fiscal year ending June 30, 2024	—				
Fiscal year ending June 30, 2024 (Forecast)		—	—	—	—

(Note) Revisions to the forecasts of cash dividends most recently announced: No

**3. Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2024 (July 1, 2023, to June 30, 2024)**

The consolidated financial results forecast for the current fiscal year is not stated because it is difficult to forecast a reasonable estimate of the full-year financial results. Details concerning the reasons thereof are stated in “1. Qualitative Information Regarding Results for the Period (3) Explanation of Consolidated Financial Results Forecasts and Other Forward-looking Statements” on page 4 of the Appendix.

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### \* Notes:

- (1) Changes in significant subsidiaries during the Period (changes in specified subsidiaries resulting in changes in scope of consolidation): No
- (2) Changes in accounting policies and changes in accounting estimates
  - 1) Changes in accounting policies required by IFRS: No
  - 2) Changes in accounting policies other than 1) above: No
  - 3) Changes in accounting estimates: No
- (3) Total number of issued shares (common stock)
  - 1) Total number of issued shares at the end of the Period (including treasury shares):

September 30, 2023:	162,989,723 shares
June 30, 2023:	162,465,598 shares
  - 2) Total number of treasury shares at the end of the Period:

September 30, 2023:	138 shares
June 30, 2023:	103 shares
  - 3) Average number of shares during the Period:

Three months ended September 30, 2023:	162,737,420 shares
Three months ended September 30, 2022:	160,855,094 shares

\* Quarterly Consolidated Financial Results are exempt from quarterly review conducted by certified public accountants or audit firms.

\* Explanation of the proper use of financial results forecast and other notes

(Notice concerning forward-looking statements)

The forward-looking statements, including the financial results forecast, contained in these materials are based on information currently available to the Company and certain assumptions deemed reasonable by the Company. As such, they do not constitute guarantees by the Company of future performance. Details concerning the forward-looking statements are stated in “1. Qualitative Information Regarding Results for the Period (3) Explanation of Consolidated Financial Results Forecasts and Other Forward-looking Statements” on page 4 of the Appendix.

(Adoption of International Financial Reporting Standards (IFRS))

The Group has adopted International Financial Reporting Standards (IFRS) from the three months ended September 30, 2023. Presentation of figures in the consolidated financial statements for the period of the previous fiscal year also conforms to IFRS. For differences between IFRS and Japanese GAAP in the financial statements, please refer to “2. Condensed Quarterly Consolidated Financial Statements and Primary Notes, (5) Notes to the Condensed Quarterly Consolidated Financial Statements (First-time adoption of IFRS)” on page 13 of the Appendix.

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## 1. Qualitative Information Regarding Results for the Period

Forward-looking matters described in the text were judged as of September 30, 2023.

The Group has adopted IFRS from the three months ended September 2023, and also made a comparative analysis of figures in the consolidated financial statements for the three months ended September 2022 and the fiscal year ended June 30, 2023, by rearranging them under IFRS.

### (1) Explanation of Operating Results

The Group has set its Group mission as “Circulate all forms of value to unleash the potential in all people.” To achieve this mission, the Group has been working to accelerate the growth of existing businesses and create new businesses. In addition, the Group is working to establish a global organizational foundation in which diverse talent can thrive, as well as further enhance governance. Disclosures under IFRS started from the fiscal period under review from the perspective of enhancing international comparability.

In the Marketplace domain, the Group has been striving to focus on top-line growth while continuing disciplined investments as its business policy for the current fiscal year. While Group synergy continued to be created through a loyalty program <sup>(Note 1)</sup>, progress was also made in cross border transactions and category growth, two areas of enhancement. As a result, Marketplace’s gross merchandise value (GMV <sup>(Note 2)</sup>) for the three months ended September 30, 2023, was ¥246.0 billion, an increase of ¥25.5 billion from the corresponding period of the previous fiscal year, with monthly active users (MAU <sup>(Note 3)</sup>) numbering 23.00 million.

In the Fintech domain, the Group has been focusing on acquiring *Mercard* holders and aiming to enhance Group synergy as its business policy for the current fiscal year. The number of issued Mercards exceeded 2 million within a little over 11 months through effective investments utilizing the Group’s user base. In addition to the increase in average revenue per user (ARPU <sup>(Note 4)</sup>) within *Mercari* resulting from the issuance of cards, the Group is also beginning to see *Mercard*’s contribution to an increase in the number of item listings, showing progress in creating Group synergy. Furthermore, the number of accounts for the bitcoin trading service is also increasing steadily, and exceeded 1 million within seven months of the launch.

As a result of the above, Japan Region reported revenue of ¥31,838 million (up 16.0% year-on-year) and segment profit of ¥7,418 million (down 6.6% year-on-year) for the three months ended September 30, 2023.

In its US business, the Group’s business policy for the current fiscal year is to focus on refining the product to strengthen retention of existing users and aim to get back on track for growth, as well as to focus on engaging Gen Z for future growth. While the slowdown of purchases, owing to external environmental factors such as inflation, continued in line with expectations at the beginning of the fiscal year, effective marketing initiatives with a focus on existing users, etc. showed strong progress. As a result, in the three months ended September 30, 2023, while GMV of the US business decreased by \$27 million year-on-year to \$231 million (¥33.4 billion; the exchange rate conversion is the total of the amounts calculated for each month using the average rate during the month), MAU remained at the same level, totaling 4.93 million. Revenue amounted to ¥11,078 million (down 0.1% year-on-year). On the other hand, segment loss improved considerably to ¥699 million (versus a segment loss of ¥3,110 million in the corresponding period of the previous fiscal year), resulting from a continued review of expenses through lean business management.

As a result, for the three months ended September 30, 2023, the Group recorded revenue of ¥44,271 million (11.2% increase year on year), operating profit of ¥4,477 million (73.7% increase year-on-year), and profit attributable to owners of parent of ¥2,811 million (346.4% increase year-on-year).

(Note 1) The loyalty program is a point-back rewards program that depends on *Mercard* usage. The regular point-back rate is 1% but can be increased to as high as 4% by taking pay, buy, and sell actions (cross-use) for transactions within *Mercari*.

(Note 2) GMV (Gross Merchandise Value) is the total value of merchandise sold during a specified period.

(Note 3) MAU (Monthly Active Users) is defined as the quarterly average number of registered users who accessed the *Mercari* service via app or website at least once during a given month.

(Note 4) ARPU (Average Revenue Per User) is the average purchase price per user.

## (2) Explanation of Financial Position

## 1) Assets, liabilities, and equity

## (Assets)

Assets as of September 30, 2023, increased by ¥12,050 million from the end of the previous fiscal year to ¥430,399 million.

The main reasons for any increases and decreases are as follows.

- The main reasons for any increases and decreases in cash and cash equivalents are outlined in the Overview of Cash Flows for the Period section below.
- Trade and other receivables increased by ¥14,235 million compared to the end of the previous fiscal year, primarily due to an increase in use of *Merpay Smart Payments* (lump-sum payment and fixed-amount payment).
- Guarantee deposits increased by ¥5,001 million from the end of the previous fiscal year, primarily due to deposits paid based on laws and regulations accompanying the increase in the amounts spent on *Mercari* and *Merpay*.

## (Liabilities)

Liabilities as of September 30, 2023, increased by ¥7,906 million from the end of the previous fiscal year to ¥370,595 million.

The main reasons for any increases and decreases are as follows.

- Borrowings (current liabilities) decreased by ¥13,668 million from the end of the previous fiscal year, primarily due to changes in the liquidation of receivables for lump-sum payments and fixed-amount payments.
- Bonds and borrowings (non-current liabilities) increased by ¥18,433 million from the end of the previous fiscal year, primarily due to the liquidation of receivables for lump-sum payments and fixed-amount payments.
- Deposits received increased by ¥9,352 million from the end of the previous fiscal year, primarily due to higher spending on *Mercari* and *Merpay*.
- Income taxes payable decreased by ¥5,595 million from the end of the previous fiscal year, primarily due to payment of income taxes.

## (Equity)

Equity as of September 30, 2023, increased by ¥4,144 million from the end of the previous fiscal year to ¥59,803 million.

The main reasons for any increases and decreases are as follows.

- Share capital increased by ¥168 million from the end of the previous fiscal year following the issuance of new shares.
- Capital surplus increased by ¥595 million from the end of the previous fiscal year following the issuance of new shares and adjustments for restricted stock units (RSU), etc.
- Retained earnings increased by ¥2,811 million from the end of the previous fiscal year due to the recording of net profit attributable to owners of the parent.

## 2) Overview of Cash Flows for the Period

Cash and cash equivalents (hereinafter referred to as “cash”) for the three months ended September 30, 2023, decreased by ¥8,259 million from the end of the previous fiscal year and amounted to ¥193,563 million as of September 30, 2023.

The status of cash flows and their contributing factors for the three months ended September 30, 2023, are as follows.

## (Cash flows from operating activities)

Cash used in operating activities amounted to ¥12,531 million. This is primarily attributable to profit before income taxes of ¥4,577 million, an increase in trade and other receivables of ¥14,230 million, an increase in deposits received of ¥8,950 million, an increase in guarantee deposits of ¥5,000 million, and income taxes paid of ¥6,128 million.

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(Cash flows from investing activities)

Cash used in investing activities amounted to ¥860 million. This is primarily attributable to purchase of investment securities of ¥1,019 million.

(Cash flows from financing activities)

Cash provided by financing activities amounted to ¥4,394 million. This is primarily attributable to net increase (decrease) in short-term borrowings of ¥(16,087) million and proceeds of ¥20,950 million from issuance of bonds and long-term borrowings.

### (3) Explanation of Consolidated Financial Results Forecasts and Other Forward-looking Statements

To achieve its mission, the Group's policy is to continue business management that has an awareness of the balance between growth and revenue, accelerate growth for existing businesses once again looking toward the next 10 years, and work to create new businesses. At the same time, it is difficult to make projections for consolidated earnings, partly because changes to the external environment, such as inflation, continue to be significant issues and because the Group plans to take a flexible approach to investments in response to business circumstances and environmental changes in order to realize mid to long-term growth. As such, the Company has not announced forecasts for consolidated earnings.

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**2. Condensed Quarterly Consolidated Financial Statements and Primary Notes****(1) Condensed Quarterly Consolidated Statement of Financial Position**

(Millions of yen)

	As of transition date (July 1, 2022)	As of June 30, 2023	As of September 30, 2023
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	211,758	201,822	193,563
Trade and other receivables	80,422	126,752	140,987
Deposits paid	7,093	2,708	2,981
Other financial assets	–	196	335
Other current assets	3,258	7,165	7,102
<b>Total current assets</b>	<b>302,533</b>	<b>338,645</b>	<b>344,970</b>
<b>Non-current assets</b>			
Property, plant and equipment	2,110	1,825	1,727
Right-of-use assets	6,939	4,323	4,831
Intangible assets	781	855	827
Other financial assets	2,024	1,859	2,910
Deferred tax assets	3,366	8,297	7,524
Guarantee deposits	26,774	61,608	66,609
Other non-current assets	650	933	998
<b>Total non-current assets</b>	<b>42,648</b>	<b>79,704</b>	<b>85,429</b>
<b>Total assets</b>	<b>345,181</b>	<b>418,349</b>	<b>430,399</b>



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(Millions of yen)

	As of transition date (July 1, 2022)	As of June 30, 2023	As of September 30, 2023
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	20,112	20,862	21,749
Borrowings	55,602	71,834	58,166
Lease liabilities	2,014	1,741	1,363
Income taxes payable	1,409	6,517	922
Deposits received	139,069	163,712	173,064
Other financial liabilities	359	1,036	1,158
Other current liabilities	8,461	9,206	6,970
<b>Total current liabilities</b>	<b>227,029</b>	<b>274,912</b>	<b>263,394</b>
<b>Non-current liabilities</b>			
Bonds and borrowings	74,302	84,533	102,966
Lease liabilities	4,800	2,445	3,338
Provisions	512	477	454
Deferred tax liabilities	102	183	310
Other non-current liabilities	220	137	131
<b>Total non-current liabilities</b>	<b>79,938</b>	<b>87,777</b>	<b>107,201</b>
<b>Total liabilities</b>	<b>306,967</b>	<b>362,689</b>	<b>370,595</b>
<b>Equity</b>			
Share capital	44,628	45,596	45,764
Capital surplus	47,299	49,706	50,302
Retained earnings	(55,891)	(42,777)	(39,966)
Treasury shares	(0)	(0)	(0)
Other components of equity	1,798	2,821	3,384
<b>Equity attributable to owners of parent</b>	<b>37,835</b>	<b>55,346</b>	<b>59,483</b>
<b>Non-controlling interests</b>	<b>378</b>	<b>313</b>	<b>319</b>
<b>Total equity</b>	<b>38,214</b>	<b>55,659</b>	<b>59,803</b>
<b>Total liabilities and equity</b>	<b>345,181</b>	<b>418,349</b>	<b>430,399</b>

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**(2) Condensed Quarterly Consolidated Statement of Profit or Loss and Condensed Quarterly Consolidated Statement of Comprehensive Income**  
**(Condensed Quarterly Consolidated Statement of Profit or Loss)****(Millions of yen)**

	For the three months ended September 30, 2022	For the three months ended September 30, 2023
Revenue	39,800	44,271
Cost of sales	14,566	13,963
Gross profit	25,234	30,308
Selling, general and administrative expenses	22,635	25,591
Other income	132	209
Other expenses	153	448
Operating profit	2,577	4,477
Finance income	63	217
Finance costs	109	117
Profit before tax	2,531	4,577
Income tax expense	1,976	1,762
Profit	555	2,814
Profit attributable to		
Owners of parent	629	2,811
Non-controlling interests	(74)	3
Profit	555	2,814
Earnings per share		
Basic earnings per share (yen)	3.91	17.27
Diluted earnings per share (yen)	3.86	16.54

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**(Condensed Quarterly Consolidated Statement of Comprehensive Income)****(Millions of yen)**

	For the three months ended September 30, 2022	For the three months ended September 30, 2023
Profit	555	2,814
Other comprehensive income (after considering tax effects)		
Items that will not be reclassified to profit or loss		
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	(21)	(10)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	414	229
Effective portion of change in fair value of cash flow hedges	203	187
Total other comprehensive income (after considering tax effects)	596	406
Comprehensive income	1,151	3,221
Comprehensive income attributable to		
Owners of parent	1,226	3,214
Non-controlling interests	(74)	6
Comprehensive income	1,151	3,221

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(3) Condensed Quarterly Consolidated Statement of Changes in Equity  
For the three months ended September 30, 2022

(Millions of yen)

	Equity attributable to owners of parent				Other components of equity	
	Share capital	Capital surplus	Retained earnings	Treasury shares	Share acquisition rights	Exchange differences on translation of foreign operations
Balance as of July 1, 2022	44,628	47,299	(55,891)	(0)	1,831	–
Profit			629			
Other comprehensive income						414
Comprehensive income			629			414
Issuance of shares	179	179				
Other changes		532			34	
Total transactions with owners	179	711	–	–	34	–
Balance as of September 30, 2022	44,808	48,010	(55,261)	(0)	1,865	414

	Equity attributable to owners of parent					
	Other components of equity		Total	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Effective portion of change in fair value of cash flow hedges	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income					
Balance as of July 1, 2022	–	(32)	1,798	37,835	378	38,214
Profit				629	(74)	555
Other comprehensive income	203	(21)	596	596		596
Comprehensive income	203	(21)	596	1,226	(74)	1,151
Issuance of shares				358		358
Other changes			34	566		566
Total transactions with owners	–	–	34	925	–	925
Balance as of September 30, 2022	203	(54)	2,429	39,987	304	40,291

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For the three months ended September 30, 2023

(Millions of yen)

	Equity attributable to owners of parent					
					Other components of equity	
	Share capital	Capital surplus	Retained earnings	Treasury shares	Share acquisition rights	Exchange differences on translation of foreign operations
Balance as of July 1, 2023	45,596	49,706	(42,777)	(0)	2,272	694
Profit			2,811			
Other comprehensive income						229
Comprehensive income	–	–	2,811	–	–	229
Issuance of shares	168	168				
Purchase of treasury shares				(0)		
Other changes		427			159	
Total transactions with owners	168	595	–	(0)	159	–
Balance as of September 30, 2023	45,764	50,302	(39,966)	(0)	2,431	923

	Equity attributable to owners of parent					
	Other components of equity			Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Effective portion of change in fair value of cash flow hedges	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Total			
Balance as of July 1, 2023	159	(305)	2,821	55,346	313	55,659
Profit				2,811	3	2,814
Other comprehensive income	184	(10)	403	403	3	406
Comprehensive income	184	(10)	403	3,214	6	3,221
Issuance of shares				336		336
Purchase of treasury shares				(0)		(0)
Other changes			159	587		587
Total transactions with owners	–	–	159	923	–	923
Balance as of September 30, 2023	344	(316)	3,384	59,483	319	59,803

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**(4) Condensed Quarterly Consolidated Statement of Cash Flows****(Millions of yen)**

	For the three months ended September 30, 2022	For the three months ended September 30, 2023
<b>Cash flows from operating activities</b>		
Profit before tax	2,531	4,577
Depreciation and amortization	675	603
Interest and dividend income	(63)	(217)
Interest expenses	38	45
Decrease (increase) in trade and other receivables	(10,094)	(14,230)
Change in deposits paid	4,550	(245)
Increase (decrease) in trade and other payables	886	832
Change in deposits received	7,253	8,950
Other	(478)	(1,901)
Subtotal	5,299	(1,584)
Interest received	63	216
Interest paid	(38)	(45)
Change in guarantee deposits	(20,000)	(5,000)
Income taxes paid	(1,360)	(6,128)
Other	45	9
Net cash provided by (used in) operating activities	(15,991)	(12,531)
<b>Cash flows from investing activities</b>		
Purchase of investment securities	(206)	(1,019)
Purchase of property, plant and equipment	(346)	(21)
Other	245	180
Net cash provided by (used in) investing activities	(307)	(860)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	8,261	(16,087)
Proceeds from issuance of bonds and long-term borrowings	–	20,950
Redemption of bonds and repayments of long-term borrowings	(100)	(170)
Proceeds from issuance of shares	2	120
Other	(489)	(418)
Net cash provided by (used in) financing activities	7,674	4,394
Effect of exchange rate changes on cash and cash equivalents	1,449	738
Net increase (decrease) in cash and cash equivalents	(7,175)	(8,259)
Cash and cash equivalents at beginning of period	211,758	201,822
Cash and cash equivalents at end of period	204,583	193,563

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(5) Notes to the Condensed Quarterly Consolidated Financial Statements

Notes on going concern assumption

Not applicable.

Segment information

(1) Overview of reportable segments

Financial information for Company Group operating segments separated according to business segment is available. This information is subject to periodic review in order to allow the Board of Directors and the Executive Committee to determine the distribution of management resources and to evaluate business results. The Company Group classifies the report segments as “Japan Region,” for which the Company Group operates its core business of the *Mercari* marketplace in Japan, and “US,” for which the Company Group operates the *Mercari* (US) marketplace app in the United States of America. The Company Group also proposes and determines Group strategies along these segment lines.

Note that the principal information included in each report segment is as follows.

Japan Region	Marketplace	Operation of a marketplace app in Japan
	Fintech	Payment-, finance-, and cryptoasset-related business in Japan
US	Marketplace	Operation of a marketplace app in the US

(2) Information regarding profit or loss by reportable segments

Profit by reportable segment is based on operating profit.

Intersegment revenue is based on actual market price.

For the three months ended September 30, 2022

(Millions of yen)

	Reportable segments			Other (Note 1)	Total	Adjustments	Consolidated
	Japan Region	US	Total				
Revenue							
Marketplace	22,772	11,092	33,864	–	33,864	–	33,864
Fintech	4,582	–	4,582	–	4,582	–	4,582
Other	–	–	–	1,353	1,353	–	1,353
Revenue from contracts with customers	27,354	11,092	38,447	1,353	39,800	–	39,800
Revenue from external customers	27,354	11,092	38,447	1,353	39,800	–	39,800
Intersegment revenue	104	–	104	115	220	(220)	–
Total	27,458	11,092	38,551	1,469	40,020	(220)	39,800
Segment profit (loss)	7,942	(3,110)	4,832	(252)	4,579	(2,001)	2,577
Finance income	–	–	–	–	–	–	63
Finance costs	–	–	–	–	–	–	109
Profit before tax	–	–	–	–	–	–	2,531

(Notes) 1. The “Other” column includes business segments that are not included in the reportable segments, such as the sports business.

2. Adjustments for segment profit (loss) mainly consist of general and administrative expenses that are not attributable to reportable segments.

3. For “US,” the amount of delivery revenue is recognized at the full amount of consideration received from the customer, which is recorded as ¥6,252 million.

4. “Revenue” of ¥39,800 million recorded in the condensed quarterly consolidated statement of profit or loss is mainly “revenue recognized from contracts with customers.” Revenue recognized from other sources is mainly financial revenue arising from credit services. It is included in revenue from contracts with customers for disclosure.

**English Translation**

This is a translation of the original release in Japanese. In the event of any discrepancy, the original release in Japanese shall prevail.

For the three months ended September 30, 2023

(Millions of yen)

	Reportable segments			Other (Note 1)	Total	Adjustments	Consolidated
	Japan Region	US	Total				
Revenue							
Marketplace	25,276	11,078	36,354	–	36,354	–	36,354
Fintech	6,562	–	6,562	–	6,562	–	6,562
Other	–	–	–	1,354	1,354	–	1,354
Revenue from contracts with customers	31,838	11,078	42,917	1,354	44,271	–	44,271
Revenue from external customers	31,838	11,078	42,917	1,354	44,271	–	44,271
Intersegment revenue	–	–	–	288	288	(288)	–
Total	31,838	11,078	42,917	1,643	44,560	(288)	44,271
Segment profit (loss)	7,418	(699)	6,719	33	6,752	(2,275)	4,477
Finance income	–	–	–	–	–	–	217
Finance costs	–	–	–	–	–	–	117
Profit before tax	–	–	–	–	–	–	4,577

- (Notes) 1. The “Other” column includes business segments that are not included in the reportable segments, such as the sports business.
2. Adjustments for segment profit (loss) mainly consist of general and administrative expenses that are not attributable to reportable segments.
3. For “US,” the amount of delivery revenue is recognized at the full amount of consideration received from the customer, which is recorded as ¥6,174 million.
4. “Revenue” of ¥44,271 million recorded in the condensed quarterly consolidated statement of profit or loss is mainly “revenue recognized from contracts with customers.” Revenue recognized from other sources is mainly financial revenue arising from credit services. It is included in revenue from contracts with customers for disclosure.

**First-time adoption of IFRS**

The Group has prepared its condensed quarterly consolidated financial statements in accordance with IFRS from the first quarter of the fiscal year ending June 30, 2024 (from July 1, 2023, to September 30, 2023).

The most recent consolidated financial statements prepared in accordance with Japanese GAAP are those for the one year ended June 30, 2023, and the date of transition to IFRS is July 1, 2022.

**(1) Exemptions from retrospective application**

As a general rule, IFRS 1 requires a company adopting IFRS for the first time to apply IFRS retrospectively. However, as an exception, IFRS 1 allows a first-time adopter to optionally elect for retrospective application of some IFRS requirements and prohibits retrospective application of some provisions.

The Group applied the following exemptions among exemptions from retrospective application set forth in IFRS 1.

**1) Business combinations**

IFRS 1 allows a first-time adopter to elect not to apply IFRS 3 “Business Combinations” (hereinafter “IFRS 3”) retrospectively to business combinations conducted before the date of transition to IFRS.

The Group has applied this exemption and elected not to apply IFRS 3 retrospectively to business combinations conducted before the transition date.

**2) Exchange differences on translation of foreign operations**

IFRS 1 allows a first-time adopter to elect to deem the cumulative exchange differences on translation of all foreign operations to be zero at the date of transition to IFRS.

The Group elected to deem the cumulative exchange differences on translation of all foreign operations to be zero at the transition date.



## English Translation

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### 3) Share-based payment

IFRS 1 allows a first-time adopter to elect not to apply IFRS 2 “Share-based Payment” (hereinafter “IFRS 2”) to share-based compensation vested before the date of transition to IFRS.

The Group elected not to apply IFRS 2 to share-based compensation vested before the transition date.

### 4) Designation of financial instruments recognized before the transition date

IFRS 1 allows classification under IFRS 9 “Financial Instruments” to be judged based on facts and circumstances that exist at the transition date, instead of facts and circumstances that exist at initial recognition.

In addition, IFRS 1 allows a first-time adopter to designate changes in fair value of equity instruments as financial assets measured at fair value through other comprehensive income based on facts and circumstances that exist at the transition date.

As for financial instruments recognized before the date of transition to IFRS, the Group has designated equity instruments as financial assets measured at fair value through other comprehensive income based on facts and circumstances that existed at the transition date.

### 5) Leases

With regard to a first-time adopter’s leases as the lessee, IFRS 1 allows the first-time adopter to judge at the date of transition to IFRS whether or not a contract contains a lease.

In addition, a first-time adopter is allowed to measure a lease liability at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at the transition date, and measure a right-of-use asset at an amount equal to the lease liability.

Furthermore, it is allowed to recognize leases for which the lease term ends within 12 months of the transition date and leases for which the underlying asset is of low value as expenses.

Applying these exemptions, the Group judged whether or not a contract contains a lease based on facts and circumstances that existed at the transition date and measured a lease liability at the present value discounted using the lessee’s incremental borrowing rate at the transition date, as well as a right-of-use asset at the equal amount.

### 6) Decommissioning liabilities included in the cost of property, plant and equipment

As for certain changes in decommissioning, restoration, and similar liabilities included in cost of property, plant and equipment arising on or before the transition date, IFRS 1 allows a first-time adopter to measure liabilities at the transition date, estimate the amount that would have been included in cost when the liabilities were first incurred by discounting the liabilities up to the time of incurrence, and calculate accumulated depreciation of the amount using the depreciation policy employed by the company based on the current estimate of useful lives of the assets.

The Group elected this exemption and calculated liabilities and accumulated depreciation.

## (2) Reconciliations between Japanese GAAP and IFRS

The reconciliations required to be disclosed at the first-time adoption of IFRS are as follows.

Under Japanese GAAP, the Group has applied “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ Practical Issues Task Force Report No. 42, August 12, 2021), which provides for accounting treatment and disclosure of corporation tax, local corporation tax, and tax effect accounting in the case of applying the Group Tax Sharing System from July 1, 2022, and the Japanese GAAP column in the following table reflects effects of the change in accounting policy.

In the reconciliations below, “Reclassification” includes items that do not affect retained earnings and comprehensive income, while “Differences in recognition and measurement” include items that affect retained earnings and comprehensive income.

English Translation

This is a translation of the original release in Japanese. In the event of any discrepancy, the original release in Japanese shall prevail.

Reconciliations of equity as of July 1, 2022 (transition date)

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP	Reclassifi- cation	Differences in recognition and measurement	IFRS	Note	Line items under IFRS
Assets						Assets
Current assets						Current assets
Cash on hand and in banks	211,406	–	352	211,758		Cash and cash equivalents
Trade accounts receivable	4,454	76,680	(712)	80,422	(b) (c)	Trade and other receivables
Other receivable	80,287	(80,287)	–	–	(b)	
Prepaid expenses	2,805	(2,805)	–	–	(d) (e)	
Deposits paid	7,093	–	–	7,093		Deposits paid
Other current assets	2,156	1,246	(143)	3,258	(d) 1)	Other current assets
Allowance for doubtful accounts	(4,807)	4,807	–	–	(c)	
Total current assets	303,396	(358)	(503)	302,533		Total current assets
Non-current assets						Non-current assets
Property and equipment	3,462	(917)	(433)	2,110	(f) 3)	Property, plant and equipment
	–	917	6,022	6,939	(f) 2)	Right-of-use assets
Intangible assets	666	657	(543)	781	(d) 3)	Intangible assets
Investments and other assets						
Investment securities	117	1,614	292	2,024	(g) 4)	Other financial assets
Lease deposits	1,614	(1,614)	–	–	(g)	
Deferred tax assets	3,076	–	289	3,366	5)	Deferred tax assets
Guarantee deposits	26,774	–	–	26,774		Guarantee deposits
Other assets	413	(298)	535	650	1) 3)	Other non-current assets
Total non-current assets	36,125	358	6,163	42,648		Total non-current assets
Total assets	339,521	–	5,659	345,181		Total assets

English Translation

This is a translation of the original release in Japanese. In the event of any discrepancy, the original release in Japanese shall prevail.

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Note	Line items under IFRS
Liabilities						Liabilities and equity
Current liabilities						Liabilities
	–	20,133	(20)	20,112	(h)	Current liabilities
Short-term borrowings	54,254	1,348	–	55,602	(i)	Trade and other payables
Current portion of long-term borrowings	1,348	(1,348)	–	–	(i)	Borrowings
Accounts payable	–	199	1,815	2,014	(f) 2)	Lease liabilities
Accrued expenses	18,217	(18,217)	–	–	(h)	
Income taxes payable	1,915	(1,915)	–	–	(h)	
Deposits received	1,525	–	(116)	1,409		Income taxes payable
Provision for bonuses	139,094	–	(25)	139,069		Deposits received
Provision for point certificates	1,389	(1,389)	–	–	(k)	
Provision for share-based compensation	359	–	–	359	(g)	Other financial liabilities
Other current liabilities	91	(91)	–	–	(l)	
Total current liabilities	6,525	1,189	745	8,461	(f) (k) 6)	Other current liabilities
Non-current liabilities	224,722	(91)	2,398	227,029		Total current liabilities
Convertible-bond-type bonds with stock acquisition rights						Non-current liabilities
Long-term borrowings	50,000	25,749	(1,446)	74,302	(i) 7)	Bonds and borrowings
Retirement benefit liability	25,749	(25,749)	–	–	(i)	
Asset retirement obligations	–	820	3,979	4,800	(f) 2)	Lease liabilities
Deferred tax liabilities	75	(75)	–	–	(k)	
Other non-current liabilities	126	–	386	512	(j)	Provisions
Total non-current liabilities	162	–	(60)	102	5)	Deferred tax liabilities
Total liabilities	1,028	(745)	(62)	220	(f) (k)	Other non-current liabilities
	77,141	–	2,796	79,938		Total non-current liabilities
	301,864	(91)	5,194	306,967		Total liabilities

**English Translation**

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Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Note	Line items under IFRS
Net assets						
Shareholders' equity						Equity
Capital stock	44,628	–	–	44,628		Share capital
Capital surplus	44,582	91	2,624	47,299	(1)	Capital surplus
Retained earnings (Accumulated deficit)	(54,098)	–	(1,792)	(55,891)	12)	Retained earnings
Treasury stock	(0)	–	–	(0)		Treasury shares
Accumulated other comprehensive income	1,303	926	(431)	1,798	(m) 4) 9) 11)	Other components of equity
Stock acquisition rights	926	(926)	–	–	(m)	
	37,343	91	400	37,835		Total equity attributable to owners of parent
Non-controlling interests	314	–	64	378		Non-controlling interests
Total net assets	37,657	91	464	38,214		Total equity
Total liabilities and net assets	339,521	–	5,659	345,181		Total liabilities and equity

English Translation

This is a translation of the original release in Japanese. In the event of any discrepancy, the original release in Japanese shall prevail.

Reconciliations of equity as of September 30, 2022 (end of first quarter of the previous fiscal year)

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP	Reclassifi- cation	Differences in recognition and measurement	IFRS	Note	Line items under IFRS
Assets						Assets
Current assets						Current assets
Cash on hand and in banks	204,901	–	(317)	204,583		Cash and cash equivalents
Trade accounts receivable	4,753	86,156	(383)	90,525	(b) (c)	Trade and other receivables
Other receivable	89,418	(89,418)	–	–	(b)	
Prepaid expenses	2,726	(2,726)	–	–	(d) (e)	
Deposits paid	2,591	–	–	2,591		Deposits paid
	–	258	–	258	(g)	Other financial assets
Other current assets	2,931	867	(275)	4,074	(d) (g) 1)	Other current assets
Allowance for doubtful accounts	(4,568)	4,568	–	–	(c)	
Total current assets	302,754	(294)	(426)	302,033		Total current assets
Non-current assets						Non-current assets
Property and equipment	3,481	(893)	(442)	2,145	(f) 3)	Property, plant and equipment
	–	893	5,203	6,096	(f) 2)	Right-of-use assets
Intangible assets	598	535	(426)	707	(d) 3)	Intangible assets
Investments and other assets						
Investment securities	314	1,480	271	2,066	(g) 4)	Other financial assets
Lease deposits	1,480	(1,480)	–	–	(g)	
Deferred tax assets	2,999	–	651	3,651	5)	Deferred tax assets
Guarantee deposits	46,776	–	–	46,776		Guarantee deposits
Other assets	330	(240)	614	703	1) 3)	Other non-current assets
Total non-current assets	55,981	294	5,871	62,148		Total non-current assets
Total assets	358,736	–	5,445	364,181		Total assets

English Translation

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(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Note	Line items under IFRS
Liabilities						Liabilities and equity
Current liabilities						Liabilities
	–	21,043	75	21,119	(h)	Current liabilities
Short-term borrowings	62,516	1,298	–	63,814	(i)	Trade and other payables
Current portion of long-term borrowings	1,298	(1,298)	–	–	(i)	Borrowings
Accounts payable	–	199	1,698	1,898	(f) 2)	Lease liabilities
Accrued expenses	19,281	(19,281)	–	–	(h)	
Income taxes payable	1,762	(1,762)	–	–	(h)	
Deposits received	2,469	–	(115)	2,354		Income taxes payable
Provision for bonuses	147,024	–	0	147,024		Deposits received
Provision for point certificates	847	(847)	–	–	(k)	
Provision for share-based compensation	453	–	–	453	(g)	Other financial liabilities
Other current liabilities	186	(186)	–	–	(l)	
Total current liabilities	6,038	647	1,231	7,917	(f) (k) 6)	Other current liabilities
Non-current liabilities	241,877	(186)	2,891	244,582		Total current liabilities
Convertible-bond-type bonds with stock acquisition rights						Non-current liabilities
Long-term borrowings	50,000	25,700	(1,375)	74,324	(i) 7)	Bonds and borrowings
Retirement benefit liability	25,700	(25,700)	–	–	(i)	
Asset retirement obligations	–	791	3,350	4,141	(f) 2)	Lease liabilities
Deferred tax liabilities	44	(44)	–	–	(k)	
Other non-current liabilities	126	–	351	477	(j)	Provisions
Total non-current liabilities	160	–	(48)	112	5)	Deferred tax liabilities
Total liabilities	966	(747)	33	252	(f) (k)	Other non-current liabilities
	76,997	–	2,310	79,308		Total non-current liabilities
	318,874	(186)	5,201	323,890		Total liabilities

**English Translation**

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(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP	Reclassifi- cation	Differences in recognition and measurement	IFRS	Note	Line items under IFRS
Net assets						
Shareholders' equity						Equity
Capital stock	44,859	–	(50)	44,808		Share capital
Capital surplus	44,813	186	3,011	48,010	(1)	Capital surplus
Retained earnings (Accumulated deficit)	(53,345)	–	(1,915)	(55,261)	12)	Retained earnings
Treasury stock	(0)	–	–	(0)		Treasury shares
Accumulated other comprehensive income	1,977	893	(441)	2,429	(m) 4) 9) 11)	Other components of equity
Stock acquisition rights	893	(893)	–	–	(m)	
	39,197	186	603	39,987		Total equity attributable to owners of parent
Non-controlling interests	663	–	(359)	304		Non-controlling interests
Total net assets	39,861	186	243	40,291		Total equity
Total liabilities and net assets	358,736	–	5,445	364,181		Total liabilities and equity

English Translation

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Reconciliations of equity as of June 30, 2023 (end of the previous fiscal year)

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Note	Line items under IFRS
Assets						Assets
Current assets						Current assets
Cash on hand and in banks	196,271	5,775	(224)	201,822	(a)	Cash and cash equivalents
Trade accounts receivable	6,374	120,995	(616)	126,752	(b) (c)	Trade and other receivables
Securities	5,775	(5,775)	–	–	(a)	
Other receivable	115,714	(115,714)	–	–	(b)	
Prepaid expenses	2,261	(2,261)	–	–	(d) (e)	
Deposits paid	2,708	–	0	2,708		Deposits paid
	–	196	–	196	(g)	Other financial assets
Other current assets	16,994	(8,988)	(840)	7,165	(d) (g) 1) 8)	Other current assets
Allowance for doubtful accounts	(5,455)	5,455	–	–	(c)	
Total current assets	340,644	(317)	(1,682)	338,645		Total current assets
Non-current assets						Non-current assets
Property and equipment	2,781	(438)	(517)	1,825	(f) 3)	Property, plant and equipment
	–	438	3,885	4,323	(f) 2)	Right-of-use assets
Intangible assets	584	588	(317)	855	(d) 3)	Intangible assets
Investments and other assets						
Investment securities	78	1,407	373	1,859	(g) 4)	Other financial assets
Lease deposits	1,407	(1,407)	–	–	(g)	
Deferred tax assets	7,802	–	494	8,297	5)	Deferred tax assets
Guarantee deposits	61,608	–	–	61,608		Guarantee deposits
Other assets	385	(271)	819	933	1) 3)	Other non-current assets
Total non-current assets	74,648	317	4,738	79,704		Total non-current assets
Total assets	415,292	–	3,056	418,349		Total assets



English Translation

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(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Note	Line items under IFRS
Liabilities						Liabilities and equity
Current liabilities						Liabilities
	–	20,994	(131)	20,862	(h)	Current liabilities
Short-term borrowings	55,121	16,713	–	71,834	(i)	Trade and other payables
Current portion of long-term borrowings	16,713	(16,713)	–	–	(i)	Borrowings
Accounts payable	–	104	1,636	1,741	(f) 2)	Lease liabilities
Accrued expenses	19,509	(19,509)	–	–	(h)	
Income taxes payable	1,485	(1,485)	–	–	(h)	
Deposits received	6,627	–	(110)	6,517		Income taxes payable
Provision for bonuses	163,402	–	309	163,712		Deposits received
Provision for point certificates	1,914	(1,914)	–	–	(k)	
Provision for share-based compensation	1,036	–	–	1,036	(g)	Other financial liabilities
Other current liabilities	209	(209)	–	–	(l)	
Total current liabilities	7,588	1,809	(191)	9,206	(f) (k) 6) 8)	Other current liabilities
Non-current liabilities	273,608	(209)	1,512	274,912		Total current liabilities
Convertible-bond-type bonds with stock acquisition rights						Non-current liabilities
Long-term borrowings	50,000	35,696	(1,163)	84,533	(i) 7)	Bonds and borrowings
Retirement benefit liability	35,696	(35,696)	–	–	(i)	
Asset retirement obligations	–	370	2,074	2,445	(f) 2)	Lease liabilities
Deferred tax liabilities	42	(42)	–	–	(k)	
Other non-current liabilities	126	–	351	477	(j)	Provisions
Total non-current liabilities	138	–	45	183	5)	Deferred tax liabilities
Total liabilities	451	(328)	13	137	(f) (k)	Other non-current liabilities
	86,454	–	1,322	87,777		Total non-current liabilities
	360,063	(209)	2,835	362,689		Total liabilities

## English Translation

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Line items under Japanese GAAP	Japanese GAAP	Reclassifi- cation	Differences in recognition and measurement	IFRS	Note	Line items under IFRS
Net assets						
Shareholders' equity						Equity
Capital stock	46,052	–	(455)	45,596		Share capital
Capital surplus	46,005	209	3,491	49,706	(1)	Capital surplus
Retained earnings (Accumulated deficit)	(40,687)	–	(2,090)	(42,777)	12)	Retained earnings
Treasury stock	(0)	–	–	(0)		Treasury shares
Accumulated other comprehensive income	2,211	1,092	(482)	2,821	(m) 4) 9) 11)	Other components of equity
Stock acquisition rights	1,092	(1,092)	–	–	(m)	
	54,674	209	462	55,346		Total equity attributable to owners of parent
Non-controlling interests	554	–	(241)	313		Non-controlling interests
Total net assets	55,228	209	221	55,659		Total equity
Total liabilities and net assets	415,292	–	3,056	418,349		Total liabilities and equity

## English Translation

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### Notes on reconciliations of equity

#### Reclassification of line items

Principal information on reclassification is as follows.

(a) Transfer of cash and cash equivalents

“Securities,” which were included in current assets under Japanese GAAP, are short-term investments with maturities not exceeding three months at the time of purchase that are readily convertible and are subject to an insignificant risk of changes in value. Accordingly, these items are shown as “Cash and cash equivalents” under IFRS.

(b) Transfer of trade and other receivables

“Trade accounts receivable” and “Other receivable,” which were separately presented under current assets under Japanese GAAP, are shown as “Trade and other receivables” under IFRS.

(c) Transfer of allowance for doubtful accounts

Under IFRS, “Allowance for doubtful accounts,” which was separately presented under current assets under Japanese GAAP, is directly deducted from “Trade and other receivables” and shown as the net amount.

(d) Transfer of player transfer fees

Player transfer payments, which were included in "Prepaid expenses" under current assets and "Other assets" under investments and other assets under Japanese GAAP, are reclassified as "Intangible assets" under IFRS.

(e) Transfer of other assets

“Prepaid expenses,” which were separately presented under Japanese GAAP, are reclassified as “Other current assets” under IFRS.

(f) Reclassification of right-of-use assets and lease liabilities

“Lease assets,” which were included in “Property and equipment” under non-current assets under Japanese GAAP, were reclassified as “Right-of-use assets” under IFRS, and “Lease liabilities,” which were included in “Other current liabilities” under current liabilities and “Other non-current liabilities” under non-current liabilities under Japanese GAAP, are separately presented as “Lease liabilities” under current liabilities and non-current liabilities under IFRS.

(g) Reclassification of other financial assets and other financial liabilities

“Derivative assets,” which were included in “Other” under current assets in Japanese GAAP, were reclassified as "Other financial assets" under IFRS, and “Investment securities” and “Lease deposits,” which were separately presented under non-current assets under Japanese GAAP, were reclassified as “Other financial assets” under IFRS.

In addition, “Provision for point certificates,” which were separately presented under current liabilities under Japanese GAAP, was reclassified as “Other financial liabilities” under IFRS.

(h) Transfer of trade and other payables

“Accounts payable” and “Accrued expenses,” which were separately presented under current liabilities under Japanese GAAP, are shown as “Trade and other payables” under IFRS.

(i) Reclassification of bonds and borrowings

“Short-term borrowings” and “Current portion of long-term borrowings,” which were separately presented under current liabilities under Japanese GAAP, were reclassified as “Borrowings” under IFRS, and “Convertible-bond-type bonds with stock acquisition rights” and “Long-term borrowings,” which were separately presented under non-current liabilities under Japanese GAAP, were reclassified as “Bonds and borrowings” under non-current liabilities under IFRS.

## English Translation

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- (j) Transfer of provisions  
“Asset retirement obligations,” which were separately presented in non-current liabilities under Japanese GAAP, were reclassified as “Provisions” under non-current liabilities under IFRS.
- (k) Reclassification of other liabilities  
“Provision for bonuses” which were separately presented under current liabilities under Japanese GAAP, were reclassified as “Other current liabilities” under IFRS, and “Retirement benefit liability,” which was separately presented under non-current liabilities under Japanese GAAP, was reclassified as “Other non-current liabilities” under IFRS.
- (l) Reclassification of capital surplus  
“Provision for share-based compensation,” which was separately presented as a current liability under Japanese GAAP, was reclassified as “Capital surplus” under IFRS.
- (m) Reclassification of other components of equity  
“Valuation difference on available-for-sale securities,” “Foreign currency translation adjustments,” “Deferred gains or losses on hedges,” and “Stock acquisition rights,” which were separately presented under Japanese GAAP, are shown as “Other components of equity” under IFRS.

### Differences in recognition and measurement

- 1) Contract acquisition costs  
Incremental costs to obtain contracts with customers were processed collectively under Japanese GAAP, but the portion expected to be recoverable is recognized as assets under IFRS.
- 2) Right-of-use assets and lease liabilities  
Operating lease transactions were accounted for according to the method for normal lease transactions under Japanese GAAP. However, under IFRS, “Right-of-use assets” and “Lease liabilities” are recognized, and depreciation and interest expense are recorded.
- 3) Recording of impairment losses  
Under Japanese GAAP, if there is any indication of impairment, the carrying amount of an individual asset or cash generating unit is compared with the total amount of undiscounted future cash flows, and, only when the undiscounted future cash flows are lower than the carrying amount, an impairment loss is recognized up to the recoverable value based on the total amount of discounted future cash flows.  
Under IFRS, if there is any indication of impairment, the carrying amount of an individual asset or cash generating unit is compared with the recoverable value based on the total amount of discounted future cash flows, and when the recoverable value is lower than the carrying amount, an impairment loss is recognized up to that recoverable value.  
As a result of implementing impairment test of the sports business and intangible assets with an indefinite useful life based on the business plan at the date of transition to IFRS, in the “Other” segment, the Group recognized impairment losses of ¥1,185 million (“Property, plant and equipment” of ¥681 million (buildings and structures of ¥670 million and other of ¥10 million) and “Intangible assets” of ¥504 million).  
Additionally, the recoverable amount is measured at value in use, which is calculated by discounting the estimated amount of cash flows approved by management to the present value at 9.1% by reference to weighted average cost of capital of the cash generating unit. Cash flows in the business plan period are estimated based on the growth rate, etc. predicted from entrance fee income and sales of merchandise.

## English Translation

This is a translation of the original release in Japanese. In the event of any discrepancy, the original release in Japanese shall prevail.

### 4) Investment securities

Although under Japanese GAAP, shares not listed were calculated based on acquisition cost, and impairment was recorded according to deterioration of the issuing company's financial position as necessary, the Group has elected to measure such shares at fair value through other comprehensive income under IFRS.

### 5) Deferred tax assets

The Group reconciled the amounts of "Deferred tax assets" and "Deferred tax liabilities" due to the temporary differences resulting from the reconciliations from Japanese GAAP to IFRS and review of recoverability of all deferred tax assets upon the adoption of IFRS.

### 6) Compensated absences payable

For unused compensated absences which were not required to be accounted for under Japanese GAAP, "Other current liabilities" is recorded under IFRS.

### 7) Bonds payable

Convertible-bond-type bonds with stock acquisition rights under Japanese GAAP were treated using the lump-sum method without separately classifying the portion of the value corresponding to bonds and the portion of the value corresponding to share acquisition rights. However, under IFRS, these items are treated as compound financial instruments and separately presented as liability components and equity components.

### 8) Cryptoassets deposited by users

Under Japanese GAAP, cryptoassets deposited by users were included in "Other" under current assets and "Other" under current liabilities, but under IFRS, these cryptoassets are not recognized as assets, and the corresponding liabilities are not recognized in the consolidated statement of financial position.

### 9) Transfer of cumulative exchange differences on translation of overseas subsidiaries

Upon the first-time adoption, the Group elected the exemption set forth in IFRS 1 and transferred all the cumulative exchange differences at the transition date to retained earnings.

### 10) Unification of a reporting period

For certain consolidated subsidiaries whose fiscal year-end is different from that of the Company, their reporting period was unified at the transition date to conform to the Company's fiscal year-end.

### 11) Share-based compensation

Under Japanese GAAP, stock options subject to graded vesting are measured collectively, whereas under IFRS those stock options are measured separately for each vesting period.

**English Translation**

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## 12) Reconciliations of retained earnings

(Millions of yen)

	As of transition date (July 1, 2022)	As of September 30, 2022	As of June 30, 2023
Leases	170	131	88
Impairment losses	(1,185)	(1,185)	(1,185)
Contract acquisition costs	691	802	1,105
Share-based compensation	(1,927)	(2,274)	(2,555)
Compensated absences payable	(1,340)	(1,381)	(1,524)
Transfer of cumulative exchange differences on translation of overseas subsidiaries	1,303	1,303	1,303
Unification of a reporting period	(193)	(374)	(81)
Other	22	16	64
Subtotal	(2,458)	(2,961)	(2,785)
Reconciliation due to tax effects	334	686	452
Reconciliation of non-controlling interests	330	359	241
Total reconciliations of retained earnings	(1,792)	(1,915)	(2,090)

## English Translation

This is a translation of the original release in Japanese. In the event of any discrepancy, the original release in Japanese shall prevail.

Reconciliations of profit or loss and comprehensive income (first quarter of the previous fiscal year from July 1, 2022, to September 30, 2022)

Items of Condensed Quarterly Consolidated Statement of Profit or Loss

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Note	Line items under IFRS
Net sales	40,029	–	(228)	39,800	1)	Revenue
Cost of sales	14,443	–	122	14,566	3) 4) 5)	Cost of sales
Gross profit	25,585	–	(351)	25,234		Gross profit
Selling, general and administrative expenses	22,466	(66)	235	22,635	(b) 2) 3) 4) 5)	Selling, general and administrative expenses
	–	29	102	132	(a) 1)	Other income
	–	215	(61)	153	(a) 7)	Other expenses
Operating profit	3,119	(120)	(421)	2,577		Operating profit
Non-operating income	89	(89)	–	–		
Non-operating expenses	54	(54)	–	–		
Extraordinary income	2	(2)	–	–		
Extraordinary losses	192	(192)	–	–		
	–	63	0	63	(a)	Finance income
	–	30	78	109	(a) 3) 6) 7)	Finance costs
Net profit before income taxes	2,965	66	(499)	2,531		Profit before tax
Income taxes	2,599	66	(689)	1,976	(b) 8)	Income tax expense
Net profit	365	–	189	555		Profit

**English Translation**

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Items of Condensed Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Note	Line items under IFRS
Net profit	365	–	189	555		Profit
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
						Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income
Valuation difference on available-for-sale securities	(1)	–	(20)	(21)	7)	Items that may be reclassified to profit or loss
						Exchange differences on translation of foreign operations
Foreign currency translation adjustments	471	–	(57)	414		Effective portion of change in fair value of cash flow hedges
Deferred gains or losses on hedges	203	–	–	203		Other comprehensive income (after considering tax effects)
Total other comprehensive income	674	–	(78)	596		Comprehensive income
Comprehensive income	1,040	–	111	1,151		



## English Translation

This is a translation of the original release in Japanese. In the event of any discrepancy, the original release in Japanese shall prevail.

Reconciliations of profit or loss and comprehensive income (previous fiscal year from July 1, 2022, to June 30, 2023)

Items of Consolidated Statement of Profit or Loss

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP	Reclassifi- cation	Differences in recognition and measurement	IFRS	Note	Line items under IFRS
Net sales	172,064	–	(96)	171,967	1)	Revenue
Cost of sales	57,639	–	371	58,010	3) 4) 5)	Cost of sales
Gross profit	114,425	–	(468)	113,956		Gross profit
Selling, general and administrative expenses	97,401	(319)	165	97,247	(b) 2) 3) 4) 5)	Selling, general and administrative expenses
	–	218	250	468	(a) 1)	Other income
	–	1,171	(379)	791	(a) 7)	Other expenses
Operating profit	17,023	(633)	(3)	16,385		Operating profit
Non-operating income	716	(716)	–	–		
Non-operating expenses	290	(290)	–	–		
Extraordinary income	2	(2)	–	–		
Extraordinary losses	1,063	(1,063)	–	–		
	–	501	–	501	(a)	Finance income
	–	182	311	493	(a) 3) 6) 7)	Finance costs
Net profit before income taxes	16,389	319	(315)	16,393		Profit before tax
Income taxes	3,474	319	(446)	3,346	(b) 8)	Income tax expense
Net profit	12,914	–	131	13,046		Profit

**English Translation**

This is a translation of the original release in Japanese. In the event of any discrepancy, the original release in Japanese shall prevail.

**Items of Consolidated Statement of Comprehensive Income**

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Note	Line items under IFRS
Net profit	12,914	–	131	13,046		Profit
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
						Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income
Valuation difference on available-for-sale securities	(0)	–	(272)	(272)	7)	Items that may be reclassified to profit or loss
						Exchange differences on translation of foreign operations
Foreign currency translation adjustments	747	–	(53)	694		Effective portion of change in fair value of cash flow hedges
Deferred gains or losses on hedges	160	–	–	160		Other comprehensive income (after considering tax effects)
Total other comprehensive income	908	–	(325)	582		Comprehensive income
Comprehensive income	13,823	–	(193)	13,629		

## English Translation

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### Notes on reconciliations of profit or loss and comprehensive income

#### Reclassification of line items

Principal information on reclassification is as follows.

##### (a) Reconciliation of line items

As for items shown in “Non-operating income,” “Non-operating expenses,” “Extraordinary income,” and “Extraordinary losses” under Japanese GAAP, financial items are presented in “Finance income” or “Finance costs,” and other items in “Other income” or “Other expenses” under IFRS.

##### (b) Income tax expense

Inhabitant taxes on a per capita basis were included in “Income taxes” under Japanese GAAP, but they are included in “Selling, general and administrative expenses” under IFRS. In addition, the value-added portion of pro forma standard enterprise tax was included in “Selling, general and administrative expenses” under Japanese GAAP, but is included in “Corporate income tax” under IFRS.

#### Differences in recognition and measurement

##### 1) Transfer fee income

With regard to received transfer fees, such fees were included in “Net sales” under Japanese GAAP, but they are included in “Other income” under IFRS.

##### 2) Contract acquisition costs

Incremental costs to obtain contracts with customers were processed when they were incurred under Japanese GAAP, but the portion expected to be recoverable is recognized as assets under IFRS.

As a result of this change, expenses related to these costs were transferred to assets as contract acquisition costs.

##### 3) Reconciliation of depreciation, etc. as a result of recording of right-of-use assets

Operating lease transactions were accounted for according to the method for normal lease transactions under Japanese GAAP. However, under IFRS, “Right-of-use assets” and “Lease liabilities” are recognized, and depreciation and interest expense are recorded.

##### 4) Compensated absences payable

For unused compensated absences which were not required to be accounted for under Japanese GAAP, “Cost of sales” and “Selling, general and administrative expenses” are recorded under IFRS.

##### 5) Share-based compensation

Under Japanese GAAP, stock options subject to graded vesting are measured collectively, whereas under IFRS those stock options are measured separately for each vesting period.

As a result of this change, stock-based compensation expenses included in “Cost of sales” and “Selling, general and administrative expenses” are adjusted.

##### 6) Bonds payable

Convertible-bond-type bonds with stock acquisition rights under Japanese GAAP were treated using the lump-sum method without separately classifying the portion of the value corresponding to bonds and the portion of the value corresponding to share acquisition rights. However, under IFRS, these items are treated as compound financial instruments and separately presented as liability components and equity components. As a result of this change, interest expenses on bonds are included in “Financial costs.”

## English Translation

This is a translation of the original release in Japanese. In the event of any discrepancy, the original release in Japanese shall prevail.

### 7) Measurement of financial instruments

Although under Japanese GAAP, shares not listed were calculated based on acquisition cost, and impairment was recorded according to deterioration of the issuing company's financial position, such shares are measured at fair value through other comprehensive income under IFRS. In addition, as for equity financial instruments, gain or loss on sales and impairment losses were recognized as net profit or loss under Japanese GAAP, but under IFRS, any change in fair value is recognized as other comprehensive income.

### 8) Reconciliation for tax effects

The Group reconciled the amount of "Income tax expense" due to the temporary differences resulting from the reconciliations from Japanese GAAP to IFRS and review of recoverability of all deferred tax assets as a result of the adoption of IFRS.

### (3) Reconciliations of Cash Flows

Lease payments paid under operating leases were classified as cash flows from operating activities under Japanese GAAP, but they are classified into cash flows from financing activities as repayments of lease liabilities under IFRS.