

mercari

Consolidated Financial Results for the Nine Months Ended March 31, 2024 [IFRS]

May 9, 2024

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

Contact: Sayaka Eda, Executive Officer, Senior Vice President of Corporate, and Chief Financial Officer

Phone: +81-3-6804-6907

Scheduled date of filing quarterly securities report: May 9, 2024

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 Nine Months Ended March 31, 2024 (the “Period”) (July 1, 2023, to March 31, 2024)

(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	%
Nine months ended								
March 31, 2024	140,878	10.4	13,444	25.0	12,801	26.2	8,710	101.6
March 31, 2023	127,649	—	10,753	—	10,147	—	4,319	—

	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
Nine months ended						
March 31, 2024	8,754	98.2	9,502	110.0	53.69	51.41
March 31, 2023	4,416	—	4,525	—	27.41	26.95

(Reference) Profit before tax

Nine months ended March 31, 2024: ¥13,061 million [29.3%]

Nine months ended March 31, 2023: ¥10,098 million [-%]

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

(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 March 31, 2024	484,858	67,211	66,940	13.8
As of June 30, 2023	418,349	55,659	55,346	13.2

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.

2. Dividends

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

(% indicates changes from the previous corresponding period.)

	Revenue		Core operating profit		Operating profit		Profit before tax	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ending June 30, 2024	190,000	10.5	17,000	1.7	16,500	0.7	17,000	3.7

	Profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending June 30, 2024	12,000	(8.0)	12,000	(8.5)	73.60

(Note) Revisions to the consolidated financial results forecast most recently announced: Yes

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.

* 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):

March 31, 2024:	163,667,497 shares
June 30, 2023:	162,465,598 shares

2) Total number of treasury shares at the end of the Period:

March 31, 2024:	196 shares
June 30, 2023:	103 shares

3) Average number of shares during the Period:

Nine months ended March 31, 2024:	163,045,428 shares
Nine months ended March 31, 2023:	161,140,655 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 nine months ended March 31, 2023, and the fiscal year ended June 30, 2023, 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 17 of the Appendix.

Appendix

Table of Contents

1. Qualitative Information Regarding Results for the Period	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Financial Results Forecasts and Other Forward-looking Statements	4
2. Condensed Quarterly Consolidated Financial Statements and Primary Notes	5
(1) Condensed Quarterly Consolidated Statement of Financial Position	5
(2) Condensed Quarterly Consolidated Statement of Profit or Loss and Condensed Quarterly Consolidated Statement of Comprehensive Income	7
(3) Condensed Quarterly Consolidated Statement of Changes in Equity	11
(4) Condensed Quarterly Consolidated Statement of Cash Flows	13
(5) Notes to the Condensed Quarterly Consolidated Financial Statements	14
Notes on going concern assumption	14
Segment information	14
First-time adoption of IFRS	17

1. Qualitative Information Regarding Results for the Period

Forward-looking matters described in the text were judged as of March 31, 2024.

The Group has adopted IFRS from the three months ended September 30, 2023, and also made a comparative analysis of figures in the consolidated financial statements for the nine months ended March 31, 2023, 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.

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. The growth of areas to enhance and the creation of Group synergy through a loyalty program ^(Note 1) continued. In addition, the Group conducted disciplined marketing while moving ahead with product updates, such as the Safe Appraisal feature. As a result, Marketplace’s gross merchandise value (GMV ^(Note 2)) for the nine months ended March 31, 2024, was ¥802.6 billion, an increase of ¥72.7 billion from the corresponding period of the previous fiscal year, with monthly active users (MAU ^(Note 3)) numbering 22.83 million. In new businesses, the Group launched *Mercari Hallo* on March 6. In one month, the number of registered users surpassed 2.5 million, and the number of partner locations across Japan has reached 50,000.

In the Fintech domain, the Group has been focusing on acquiring *Mercard* users and aiming to enhance Group synergy as its business policy for the current fiscal year. The Group strengthened investment aimed at the acquisition of *Mercard* users to match spring, a time of year when many people start new chapters of their lives as students or working adults, and the number of issued *Mercards* exceeded 3 million. While the steady growth of credit services led to an increase in credit balance ^(Note 4), the collection rate ^(Note 5) also remained at a high level. Furthermore, the number of cryptoasset accounts surpassed 2 million as of March 31, 2024.

As a result of the above, Japan Region reported revenue of ¥103,610 million (up 15.3% year-on-year) and segment profit of ¥21,961 million (down 13.4% year-on-year) for the nine months ended March 31, 2024.

In its US business, the Group’s business policy for the current fiscal year is to aim to get back on track for growth by refining the product to strengthen retention of existing users, as well as to focus on engaging Gen Z for future growth. In order to boost transactions by increasing the number of listings, the Group promoted bold initiatives for future growth, such as changing its model so that fees are borne by the buyer instead of the seller, becoming the first major marketplace in the US to do so. As ongoing inflation and other external environmental factors continued to have an impact, in the nine months ended March 31, 2024, while GMV of the US business decreased by \$81 million year-on-year to \$705 million (¥103.6 billion; the exchange rate conversion is the total of the amounts calculated for each month using the average rate during the month), the Group is starting to see signs of improvement in the number of transactions and in the GMV growth rate. As a result, revenue amounted to ¥33,323 million (down 2.2% year-on-year). By continuing disciplined investments and cost controls, segment loss was ¥2,906 million (versus a segment loss of ¥7,767 million in the corresponding period of the previous fiscal year), indicating an ongoing improving trend.

As a result, for the nine months ended March 31, 2024, the Group recorded revenue of ¥140,878 million (10.4% increase year-on-year), operating profit of ¥12,801 million (26.2% increase year-on-year), and profit attributable to owners of parent of ¥8,754 million (98.2% 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) *Merpay Smart Payments* (lump-sum and fixed-amount payment) and *Merpay Smart Money* credit balance as of March 31, 2024 (excludes debt converted into bankruptcy reorganization debt, etc.).

(Note 5) Average aggregated rate of the quarterly cumulative collections completed within the past 11

months compared to the amount of *Merpay Smart Payments* (lump-sum payment and fixed-amount payment) and *Merpay Smart Money* billed in the past 11 months (excludes debt converted into bankruptcy reorganization debt, etc.).

(2) Explanation of Financial Position

1) Assets, liabilities, and equity

(Assets)

Assets as of March 31, 2024, increased by ¥66,509 million from the end of the previous fiscal year to ¥484,858 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 ¥58,636 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 ¥20,001 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 March 31, 2024, increased by ¥54,958 million from the end of the previous fiscal year to ¥417,647 million.

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

- Borrowings (current liabilities) decreased by ¥27,289 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 ¥50,185 million from the end of the previous fiscal year, primarily due to the liquidation of receivables for fixed-amount payments.
- Deposits received increased by ¥37,759 million from the end of the previous fiscal year, primarily due to higher spending on *Mercari* and *Merpay*.
- Income taxes payable decreased by ¥6,517 million from the end of the previous fiscal year, primarily due to payment of income taxes.

(Equity)

Equity as of March 31, 2024, increased by ¥11,551 million from the end of the previous fiscal year to ¥67,211 million.

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

- Share capital increased by ¥1,562 million from the end of the previous fiscal year following the issuance of new shares.
- Capital surplus increased by ¥789 million from the end of the previous fiscal year following the issuance of new shares and share-based payment transactions, etc.
- Retained earnings increased by ¥8,929 million from the end of the previous fiscal year due to the recording of net profit attributable to owners of parent.

2) Overview of cash flows for the period

Cash and cash equivalents (hereinafter referred to as “cash”) for the nine months ended March 31, 2024, decreased by ¥16,058 million from the end of the previous fiscal year and amounted to ¥185,764 million as of March 31, 2024.

The status of cash flows and their contributing factors for the nine months ended March 31, 2024, are as follows.

(Cash flows from operating activities)

Cash used in operating activities amounted to ¥38,053 million (compared to ¥27,716 million used in the nine months ended March 31, 2023). This is primarily attributable to profit before tax of ¥13,061

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.

million, an increase in trade and other receivables of ¥58,596 million, an increase in deposits received of ¥37,183 million, an increase in guarantee deposits of ¥20,000 million, and income taxes paid of ¥10,274 million.

(Cash flows from investing activities)

Cash used in investing activities amounted to ¥763 million (compared to ¥533 million used in the nine months ended March 31, 2023). This is primarily attributable to purchase of investment securities of ¥1,502 million and proceeds from refund of leasehold and guarantee deposits of ¥525 million.

(Cash flows from financing activities)

Cash provided by financing activities amounted to ¥21,782 million (compared to ¥19,120 million provided in the nine months ended March 31, 2023). This is primarily attributable to net increase (decrease) in short-term borrowings of ¥(27,658) million and proceeds of ¥51,000 million from issuance of bonds and long-term borrowings.

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

The Company has disclosed forecasts for the fiscal year ending June 30, 2024 (July 1, 2023, to June 30, 2024), in light of recent trends. For related details, please see “Notice Regarding Full-Year Earnings Forecast for FY2024.6” announced today.

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.

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 March 31, 2024
Assets			
Current assets			
Cash and cash equivalents	211,758	201,822	185,764
Trade and other receivables	80,422	126,752	185,388
Deposits paid	7,093	2,708	4,051
Other financial assets	—	196	313
Other current assets	3,258	7,165	10,250
Total current assets	<u>302,533</u>	<u>338,645</u>	<u>385,768</u>
Non-current assets			
Property, plant and equipment	2,110	1,825	1,487
Right-of-use assets	6,939	4,323	3,738
Intangible assets	781	855	598
Deferred tax assets	3,366	8,297	7,527
Guarantee deposits	26,774	61,608	81,609
Other financial assets	2,024	1,859	3,090
Other non-current assets	650	933	1,038
Total non-current assets	<u>42,648</u>	<u>79,704</u>	<u>99,090</u>
Total assets	<u>345,181</u>	<u>418,349</u>	<u>484,858</u>

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)

	As of transition date (July 1, 2022)	As of June 30, 2023	As of March 31, 2024
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	20,112	20,862	22,627
Borrowings	55,602	71,834	44,545
Lease liabilities	2,014	1,741	1,195
Income taxes payable	1,409	6,517	—
Deposits received	139,069	163,712	201,471
Other financial liabilities	359	1,036	1,483
Other current liabilities	8,461	9,206	8,454
Total current liabilities	227,029	274,912	279,778
Non-current liabilities			
Bonds and borrowings	74,302	84,533	134,719
Lease liabilities	4,800	2,445	2,424
Provisions	512	477	387
Deferred tax liabilities	102	183	206
Other non-current liabilities	220	137	132
Total non-current liabilities	79,938	87,777	137,869
Total liabilities	306,967	362,689	417,647
Equity			
Share capital	44,628	45,596	47,158
Capital surplus	47,299	49,706	50,496
Retained earnings	(55,891)	(42,777)	(33,848)
Treasury shares	(0)	(0)	(0)
Other components of equity	1,798	2,821	3,133
Equity attributable to owners of parent	37,835	55,346	66,940
Non-controlling interests	378	313	270
Total equity	38,214	55,659	67,211
Total liabilities and equity	345,181	418,349	484,858

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.

(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 nine months ended March 31, 2023	For the nine months ended March 31, 2024
Revenue	127,649	140,878
Cost of sales	44,730	43,025
Gross profit	82,919	97,853
Selling, general and administrative expenses	72,165	84,408
Other income	296	467
Other expenses	902	1,111
Operating profit	10,147	12,801
Finance income	314	628
Finance costs	362	368
Profit before tax	10,098	13,061
Income tax expense	5,778	4,350
Profit	4,319	8,710
Profit attributable to		
Owners of parent	4,416	8,754
Non-controlling interests	(96)	(43)
Profit	4,319	8,710
Earnings per share		
Basic earnings per share (yen)	27.41	53.69
Diluted earnings per share (yen)	26.95	51.41

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)

	For the third quarter ended March 31, 2023	For the third quarter ended March 31, 2024
Revenue	43,707	48,492
Cost of sales	15,059	14,738
Gross profit	28,647	33,753
Selling, general and administrative expenses	23,455	28,987
Other income	108	247
Other expenses	24	34
Operating profit	5,275	4,979
Finance income	137	190
Finance costs	142	134
Profit before tax	5,270	5,035
Income tax expense	1,990	838
Profit	3,279	4,197
Profit attributable to		
Owners of parent	3,248	4,203
Non-controlling interests	31	(6)
Profit	3,279	4,197
Earnings per share		
Basic earnings per share (yen)	20.12	25.74
Diluted earnings per share (yen)	19.78	24.66

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.

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

	For the nine months ended March 31, 2023	For the nine months ended March 31, 2024
Profit	4,319	8,710
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	(7)	340
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	286	283
Effective portion of change in fair value of cash flow hedges	(73)	167
Total other comprehensive income (after considering tax effects)	205	791
Comprehensive income	4,525	9,502
Comprehensive income attributable to		
Owners of parent	4,623	9,544
Non-controlling interests	(97)	(42)
Comprehensive income	4,525	9,502

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)

	For the third quarter ended March 31, 2023	For the third quarter ended March 31, 2024
Profit	3,279	4,197
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	(6)	0
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	183	389
Effective portion of change in fair value of cash flow hedges	58	170
Total other comprehensive income (after considering tax effects)	235	560
Comprehensive income	3,515	4,757
Comprehensive income attributable to		
Owners of parent	3,484	4,763
Non-controlling interests	30	(5)
Comprehensive income	3,515	4,757

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.

(3) Condensed Quarterly Consolidated Statement of Changes in Equity
For the nine months ended March 31, 2023

(Millions of yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	
					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			4,416			
Other comprehensive income						286
Comprehensive income	—	—	4,416	—	—	286
Issuance of shares	495	495			(918)	
Share-based payment transactions		1,346			1,295	
Total transactions with owners	495	1,841	—	—	377	—
Balance as of March 31, 2023	45,124	49,140	(51,474)	(0)	2,208	286

	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				4,416	(96)	4,319
Other comprehensive income	(72)	(7)	206	206	(0)	205
Comprehensive income	(72)	(7)	206	4,623	(97)	4,525
Issuance of shares			(918)	71		71
Share-based payment transactions			1,295	2,641		2,641
Total transactions with owners	—	—	377	2,713	—	2,713
Balance as of March 31, 2023	(72)	(40)	2,382	45,172	281	45,453

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 nine months ended March 31, 2024

(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			8,754			
Other comprehensive income						283
Comprehensive income	—	—	8,754	—	—	283
Issuance of shares	1,562	(330)			(1,025)	
Purchase of treasury shares				(0)		
Share-based payment transactions		1,119			723	
Transfer from other components of equity to retained earnings			175			
Total transactions with owners	1,562	789	175	(0)	(302)	—
Balance as of March 31, 2024	47,158	50,496	(33,848)	(0)	1,969	978

	Equity attributable to owners of parent					
	Other components of 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	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance as of July 1, 2023	159	(305)	2,821	55,346	313	55,659
Profit				8,754	(43)	8,710
Other comprehensive income	166	340	790	790	1	791
Comprehensive income	166	340	790	9,544	(42)	9,502
Issuance of shares			(1,025)	206		206
Purchase of treasury shares				(0)		(0)
Share-based payment transactions			723	1,843		1,843
Transfer from other components of equity to retained earnings		(175)	(175)	–		–
Total transactions with owners	–	(175)	(477)	2,048	–	2,048
Balance as of March 31, 2024	326	(139)	3,133	66,940	270	67,211

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) Condensed Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	For the nine months ended March 31, 2023	For the nine months ended March 31, 2024
Cash flows from operating activities		
Profit before tax	10,098	13,061
Depreciation and amortization	1,971	1,596
Interest and dividend income	(314)	(628)
Interest expenses	149	152
Decrease (increase) in trade and other receivables	(34,417)	(58,596)
Change in deposits paid	4,503	(1,306)
Increase (decrease) in trade and other payables	1,424	1,692
Change in deposits received	22,035	37,183
Other	(267)	(1,913)
Subtotal	5,184	(8,759)
Interest received	185	581
Interest paid	(150)	(152)
Change in guarantee deposits	(29,999)	(20,000)
Income taxes paid	(3,100)	(10,274)
Income taxes refund	—	523
Other	164	28
Net cash provided by (used in) operating activities	(27,716)	(38,053)
Cash flows from investing activities		
Purchase of investment securities	(285)	(1,502)
Purchase of property, plant and equipment	(480)	(45)
Proceeds from refund of leasehold and guarantee deposits	133	525
Other	100	258
Net cash provided by (used in) investing activities	(533)	(763)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	9,219	(27,658)
Proceeds from issuance of bonds and long-term borrowings	12,000	51,000
Redemption of bonds and repayments of long-term borrowings	(468)	(660)
Proceeds from issuance of shares	71	205
Repayments of lease liabilities	(1,701)	(1,104)
Net cash provided by (used in) financing activities	19,120	21,782
Effect of exchange rate changes on cash and cash equivalents	(573)	975
Net increase (decrease) in cash and cash equivalents	(9,702)	(16,058)
Cash and cash equivalents at beginning of period	211,758	201,822
Cash and cash equivalents at end of period	202,056	185,764

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.

(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 nine months ended March 31, 2023

(Millions of yen)

	Reportable segments			Other (Note 1)	Total	Adjustments	Consolidated
	Japan Region	US	Total				
Revenue							
Marketplace	75,554	34,085	109,640	—	109,640	—	109,640
Fintech	14,325	—	14,325	—	14,325	—	14,325
Other	—	—	—	3,683	3,683	—	3,683
Revenue from contracts with customers	89,880	34,085	123,966	3,683	127,649	—	127,649
Revenue from external customers	89,880	34,085	123,966	3,683	127,649	—	127,649
Intersegment revenue	—	—	—	960	960	(960)	—
Total	89,880	34,085	123,966	4,644	128,610	(960)	127,649
Segment profit (loss)	25,354	(7,767)	17,586	(304)	17,282	(7,135)	10,147
Finance income	—	—	—	—	—	—	314
Finance costs	—	—	—	—	—	—	362
Profit before tax	—	—	—	—	—	—	10,098

(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 ¥19,236 million.

4. “Revenue” of ¥127,649 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 nine months ended March 31, 2024

(Millions of yen)

	Reportable segments			Other (Note 1)	Total	Adjustments	Consolidated
	Japan Region	US	Total				
Revenue							
Marketplace	81,328	33,323	114,652	–	114,652	–	114,652
Fintech	22,281	–	22,281	–	22,281	–	22,281
Other	–	–	–	3,944	3,944	–	3,944
Revenue from contracts with customers	103,610	33,323	136,934	3,944	140,878	–	140,878
Revenue from external customers	103,610	33,323	136,934	3,944	140,878	–	140,878
Intersegment revenue	–	–	–	1,211	1,211	(1,211)	–
Total	103,610	33,323	136,934	5,156	142,090	(1,211)	140,878
Segment profit (loss)	21,961	(2,906)	19,055	(64)	18,990	(6,189)	12,801
Finance income	–	–	–	–	–	–	628
Finance costs	–	–	–	–	–	–	368
Profit before tax	–	–	–	–	–	–	13,061

- (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 ¥19,151 million.
4. “Revenue” of ¥140,878 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 third quarter ended March 31, 2023

(Millions of yen)

	Reportable segments			Other (Note 1)	Total	Adjustments	Consolidated
	Japan Region	US	Total				
Revenue							
Marketplace	26,364	11,063	37,428	–	37,428	–	37,428
Fintech	5,088	–	5,088	–	5,088	–	5,088
Other	–	–	–	1,190	1,190	–	1,190
Revenue from contracts with customers	31,453	11,063	42,516	1,190	43,707	–	43,707
Revenue from external customers	31,453	11,063	42,516	1,190	43,707	–	43,707
Intersegment revenue	–	–	–	700	700	(700)	–
Total	31,453	11,063	42,516	1,890	44,407	(700)	43,707
Segment profit (loss)	9,669	(1,378)	8,291	124	8,415	(3,139)	5,275
Finance income	–	–	–	–	–	–	137
Finance costs	–	–	–	–	–	–	142
Profit before tax	–	–	–	–	–	–	5,270

- (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 ¥6,208 million.
4. “Revenue” of ¥43,707 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 third quarter ended March 31, 2024

(Millions of yen)

	Reportable segments			Other (Note 1)	Total	Adjustments	Consolidated
	Japan Region	US	Total				
Revenue							
Marketplace	27,778	11,152	38,931	–	38,931	–	38,931
Fintech	8,282	–	8,282	–	8,282	–	8,282
Other	–	–	–	1,278	1,278	–	1,278
Revenue from contracts with customers	36,061	11,152	47,213	1,278	48,492	–	48,492
Revenue from external customers	36,061	11,152	47,213	1,278	48,492	–	48,492
Intersegment revenue	–	–	–	615	615	(615)	–
Total	36,061	11,152	47,213	1,894	49,107	(615)	48,492
Segment profit (loss)	7,679	(768)	6,910	12	6,922	(1,943)	4,979
Finance income	–	–	–	–	–	–	190
Finance costs	–	–	–	–	–	–	134
Profit before tax	–	–	–	–	–	–	5,035

- (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 ¥6,395 million.
4. “Revenue” of ¥48,492 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 “First-time Adoption of International Financial Reporting Standards” (hereinafter “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.

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	Reclassification	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	(117)	–	–	(g) 4)	
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
	–	1,732	292	2,024	(g) 4)	Other financial assets
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
	–	199	1,815	2,014	(f) 2)	Lease liabilities
Accounts payable	18,217	(18,217)	–	–	(h)	
Accrued expenses	1,915	(1,915)	–	–	(h)	
Income taxes payable	1,525	–	(116)	1,409		Income taxes payable
Deposits received	139,094	–	(25)	139,069		Deposits received
Provision for bonuses	1,389	(1,389)	–	–	(k)	
Provision for point certificates	359	–	–	359	(g)	Other financial liabilities
Provision for share-based compensation	91	(91)	–	–	(l)	
Other current liabilities	6,525	1,189	745	8,461	(f) (k) 6)	Other current liabilities
Total current liabilities	224,722	(91)	2,398	227,029		Total current liabilities
Non-current liabilities						Non-current liabilities
Convertible-bond-type bonds with stock acquisition rights	50,000	25,749	(1,446)	74,302	(i) 7)	Bonds and borrowings
Long-term borrowings	25,749	(25,749)	–	–	(i)	
	–	820	3,979	4,800	(f) 2)	Lease liabilities
Retirement benefit liability	75	(75)	–	–	(k)	
Asset retirement obligations	126	–	386	512	(j)	Provisions
Deferred tax liabilities	162	–	(60)	102	5)	Deferred tax liabilities
Other non-current liabilities	1,028	(745)	(62)	220	(f) (k)	Other non-current liabilities
Total non-current liabilities	77,141	–	2,796	79,938		Total non-current liabilities
Total liabilities	301,864	(91)	5,194	306,967		Total liabilities

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.

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	(l)	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 March 31, 2023 (end of third quarter 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	195,555	5,651	848	202,056	(a)	Cash and cash equivalents
Trade accounts receivable	6,223	109,137	(523)	114,837	(b) (c)	Trade and other receivables
Securities	5,651	(5,651)	—	—	(a)	
Other receivable	105,565	(105,565)	—	—	(b)	
Prepaid expenses	2,267	(2,267)	—	—	(d) (e)	
Deposits paid	2,574	—	—	2,574		Deposits paid
Other current assets	14,055	(6,426)	4,629	12,259	(d) 1)	Other current assets
Allowance for doubtful accounts	(4,888)	4,888	—	—	(c)	
Total current assets	327,005	(232)	4,955	331,728		Total current assets
Non-current assets						Non-current assets
Property and equipment	3,077	(578)	(136)	2,362	(f) 3)	Property, plant and equipment
	—	578	3,928	4,506	(f) 2)	Right-of-use assets
Intangible assets	600	358	(36)	921	(d) 3)	Intangible assets
Investments and other assets						
Investment securities	349	(349)	—	—	(g) 4)	
Lease deposits	1,460	(1,460)	—	—	(g)	
Deferred tax assets	3,075	—	840	3,916	5)	Deferred tax assets
Guarantee deposits	56,773	—	—	56,773		Guarantee deposits
	—	1,809	346	2,156	(g) 4)	Other financial assets
Other assets	253	(125)	736	863	1) 3)	Other non-current assets
Total non-current assets	65,589	232	5,677	71,499		Total non-current assets
Total assets	392,594	—	10,632	403,227		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
	–	21,394	172	21,566	(h)	Current liabilities
Trade and other payables						
Short-term borrowings	63,473	1,880	–	65,353	(i)	Borrowings
Current portion of long-term borrowings	1,880	(1,880)	–	–	(i)	
	–	152	1,667	1,820	(f) 2)	Lease liabilities
Accounts payable	19,900	(19,900)	–	–	(h)	
Accrued expenses	1,493	(1,493)	–	–	(h)	
Income taxes payable	4,356	–	349	4,706		Income taxes payable
Deposits received	160,842	–	4	160,847		Deposits received
Provision for bonuses	972	(972)	–	–	(k)	
	–	1,086	(105)	981	(g)	Other financial liabilities
Provision for point certificates	981	(981)	–	–	(g)	
Provision for share-based compensation	276	(276)	–	–	(l)	
Other current liabilities	5,592	714	6,937	13,243	(f) (g) (k) 6)	Other current liabilities
Total current liabilities	259,769	(276)	9,026	268,519		Total current liabilities
Non-current liabilities	–	–	–	–		Non-current liabilities
Convertible-bond-type bonds with stock acquisition rights	50,000	36,750	(1,233)	85,516	(i) 7)	Bonds and borrowings
Long-term borrowings	36,750	(36,750)	–	–	(i)	
	–	473	2,446	2,920	(f) 2)	Lease liabilities
Retirement benefit liability	40	(40)	–	–	(k)	
Asset retirement obligations	126	–	372	498	(j)	Provisions
Deferred tax liabilities	156	–	(32)	123	5)	Deferred tax liabilities
Other non-current liabilities	605	(433)	22	195	(f) (k)	Other non-current liabilities
Total non-current liabilities	87,678	–	1,575	89,254		Total non-current liabilities
Total liabilities	347,448	(276)	10,602	357,773		Total liabilities

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
Net assets						
Shareholders' equity						Equity
Capital stock	45,432	—	(308)	45,124		Share capital
Capital surplus	45,386	276	3,477	49,140	(l)	Capital surplus
Retained earnings (Accumulated deficit)	(48,701)	—	(2,772)	(51,474)	12)	Retained earnings
Treasury stock	(0)	—	—	(0)		Treasury shares
Accumulated other comprehensive income	1,364	1,020	(2)	2,382	(m) 4) 9) 11)	Other components of equity
Stock acquisition rights	1,020	(1,020)	—	—	(m)	
	44,502	276	392	45,172		Total equity attributable to owners of parent
Non-controlling interests	644	—	(362)	281		Non-controlling interests
Total net assets	45,146	276	30	45,453		Total equity
Total liabilities and net assets	392,594	—	10,632	403,227		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 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	(78)	—	—	(g) 4)	
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
	—	1,485	373	1,859	(g) 4)	Other financial assets
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

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
	–	20,994	(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
	–	104	1,636	1,741	(f) 2)	Lease liabilities
Accounts payable	19,509	(19,509)	–	–	(h)	
Accrued expenses	1,485	(1,485)	–	–	(h)	
Income taxes payable	6,627	–	(110)	6,517		Income taxes payable
Deposits received	163,402	–	309	163,712		Deposits received
Provision for bonuses	1,914	(1,914)	–	–	(k)	
Provision for point certificates	1,036	–	–	1,036	(g)	Other financial liabilities
Provision for share-based compensation	209	(209)	–	–	(l)	
Other current liabilities	7,588	1,809	(191)	9,206	(f) (k) 6) 8)	Other current liabilities
Total current liabilities	273,608	(209)	1,512	274,912		Total current liabilities
Non-current liabilities						Non-current liabilities
Convertible-bond-type bonds with stock acquisition rights	50,000	35,696	(1,163)	84,533	(i) 7)	Bonds and borrowings
Long-term borrowings	35,696	(35,696)	–	–	(i)	
	–	370	2,074	2,445	(f) 2)	Lease liabilities
Retirement benefit liability	42	(42)	–	–	(k)	
Asset retirement obligations	126	–	351	477	(j)	Provisions
Deferred tax liabilities	138	–	45	183	5)	Deferred tax liabilities
Other non-current liabilities	451	(328)	13	137	(f) (k)	Other non-current liabilities
Total non-current liabilities	86,454	–	1,322	87,777		Total non-current liabilities
Total liabilities	360,063	(209)	2,835	362,689		Total liabilities

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.

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	46,052	—	(455)	45,596		Share capital
Capital surplus	46,005	209	3,491	49,706	(l)	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

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 current 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 non-current assets under IFRS.

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

(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 under current liabilities 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.

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.

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.

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

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

12) Reconciliations of retained earnings

(Millions of yen)

	As of transition date (July 1, 2022)	As of March 31, 2023	As of June 30, 2023
Leases	170	101	88
Impairment losses	(1,185)	(1,185)	(1,185)
Contract acquisition costs	691	984	1,105
Share-based compensation	(1,927)	(2,789)	(2,555)
Compensated absences payable	(1,340)	(1,353)	(1,524)
Transfer of cumulative exchange differences on translation of overseas subsidiaries	1,303	1,303	1,303
Unification of a reporting period	(193)	(439)	(81)
Other	22	(78)	64
Subtotal	(2,458)	(3,455)	(2,785)
Reconciliation due to tax effects	334	320	452
Reconciliation of non-controlling interests	330	362	241
Total reconciliations of retained earnings	(1,792)	(2,772)	(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 nine months of the previous fiscal year from July 1, 2022, to March 31, 2023)

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	127,913	—	(263)	127,649	1)	Revenue
Cost of sales	44,314	—	416	44,730	3) 4) 5)	Cost of sales
Gross profit	83,598	—	(679)	82,919		Gross profit
Selling, general and administrative expenses	72,069	(188)	284	72,165	(b) 2) 3) 4) 5)	Selling, general and administrative expenses
	—	203	92	296	(a) 1)	Other income
	—	935	(32)	902	(a) 7)	Other expenses
Operating profit	11,529	(543)	(838)	10,147		Operating profit
Non-operating income	514	(514)	—	—		
Non-operating expenses	311	(311)	—	—		
Extraordinary income	2	(2)	—	—		
Extraordinary losses	758	(758)	—	—		
	—	314	0	314	(a)	Finance income
	—	135	227	362	(a) 3) 6)	Finance costs
Net profit before income taxes	10,976	188	(1,066)	10,098		Profit before tax
Income taxes	5,985	188	(395)	5,778	(b) 8)	Income tax expense
Net profit	4,990	—	(670)	4,319		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 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	4,990	—	(670)	4,319		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	3	—	(11)	(7)	7)	Items that may be reclassified to profit or loss
						Exchange differences on translation of foreign operations
Foreign currency translation adjustments	130	—	155	286		Effective portion of change in fair value of cash flow hedges
Deferred gains or losses on hedges	(73)	—	—	(73)		Other comprehensive income (after considering tax effects)
Total other comprehensive income	61	—	144	205		Comprehensive income
Comprehensive income	5,051	—	(526)	4,525		

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 (third quarter of the previous fiscal year from January 1, 2023, to March 31, 2023)

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	43,628	—	79	43,707	1)	Revenue
Cost of sales	14,408	—	650	15,059	3) 4) 5)	Cost of sales
Gross profit	29,219	—	(571)	28,647		Gross profit
Selling, general and administrative expenses	23,523	(64)	(3)	23,455	(b) 2) 3) 4) 5)	Selling, general and administrative expenses
	—	19	89	108	(a) 1)	Other income
	—	25	0	24	(a) 7)	Other expenses
Operating profit	5,696	58	(478)	5,275		Operating profit
Non-operating income	156	(156)	—	—		
Non-operating expenses	88	(88)	—	—		
Extraordinary income	—	—	—	—		
Extraordinary losses	9	(9)	—	—		
	—	137	0	137	(a)	Finance income
	—	72	70	142	(a) 3) 6)	Finance costs
Net profit before income taxes	5,755	64	(548)	5,270		Profit before tax
Income taxes	1,828	64	97	1,990	(b) 8)	Income tax expense
Net profit	3,926	—	(646)	3,279		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 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	3,926	—	(646)	3,279		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	5	—	(11)	(6)	7)	Items that may be reclassified to profit or loss
						Exchange differences on translation of foreign operations
Foreign currency translation adjustments	79	—	104	183		Effective portion of change in fair value of cash flow hedges
Deferred gains or losses on hedges	58	—	—	58		Other comprehensive income (after considering tax effects)
Total other comprehensive income	143	—	92	235		Comprehensive income
Comprehensive income	4,069	—	(554)	3,515		

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	Reclassification	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)	Finance costs
Net profit before income taxes	16,389	319	(315)	16,393		Profit before tax
Income taxes	7,944	(4,150)	(446)	3,346	(b) 8)	Income tax expense
Income taxes - deferred	(4,470)	4,470	—	—	(b)	
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		

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 “Income tax expense” under IFRS. Furthermore, under Japanese GAAP, “Income taxes - current” and “Income taxes - deferred” are demarcated and presented separately, but under IFRS they are bundled together and presented as “Income tax expense.”

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.