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.

mercari

Consolidated Financial Results for the Fiscal Year Ended June 30, 2024 [IFRS]

August 13, 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 annual general meeting of shareholders: September 25, 2024
Scheduled date of filing annual securities report: September 25, 2024
Scheduled date of commencing dividend payments: -
Availability of supplementary briefing material on annual financial results: Available
Schedule of annual financial results briefing session: Scheduled (for institutional investors and securities analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended June 30, 2024 (the "Period") (July 1, 2023, to June 30, 2024)

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

	Revenue		Core operating profit		Operating profit		Profit		Profit attributable to owners of parent		Total comprehensive income	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2024	187,407	9.0	18,869	12.9	17,486	6.7	13,455	3.1	13,461	2.7	14,906	9.4
June 30, 2023	171,967	–	16,708	–	16,385	–	13,046	–	13,113	–	13,629	–

(Reference) Profit before tax: Fiscal year ended June 30, 2024: ¥17,889 million [9.1%]
Fiscal year ended June 30, 2023: ¥16,393 million [–%]

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

	Basic earnings per share	Diluted earnings per share	Return on equity attributable to owners of parent	Ratio of profit before tax to total assets	Ratio of core operating profit to revenue
Fiscal year ended	Yen	Yen	%	%	%
June 30, 2024	82.48	79.01	21.2	3.9	10.1
June 30, 2023	81.28	77.61	28.1	4.3	9.7

(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	Equity attributable to owners of parent per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of June 30, 2024	501,773	72,145	71,836	14.3	438.33
As of June 30, 2023	418,349	55,659	55,346	13.2	340.67

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) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
June 30, 2024	(43,337)	(877)	32,091	191,998
June 30, 2023	(35,820)	(601)	25,167	201,822

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Ratio of dividends to equity attributable to owners of parent (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
June 30, 2023	-	0.00	-	0.00	0.00	-	-	-
June 30, 2024	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending June 30, 2025 (Forecast)	-	0.00	-	0.00	0.00		-	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2025 (July 1, 2024, to June 30, 2025)

(% indicates changes from the previous corresponding period.)

	Revenue		Core operating profit	
	Millions of yen	%	Millions of yen	%
Fiscal year ending June 30, 2025	200,000 to 210,000	6.7 to 12.1	22,000 to 25,000	16.6 to 32.5

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 stock):
June 30, 2024: 163,889,610 shares
June 30, 2023: 162,465,598 shares

2) Total number of treasury stock at the end of the Period:
June 30, 2024: 196 shares
June 30, 2023: 103 shares

3) Average number of shares during the Period:
Fiscal year ended June 30, 2024: 163,220,957 shares
Fiscal year ended June 30, 2023: 161,334,419 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended June 30, 2024 (July 1, 2023, to June 30, 2024)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Net profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2024	107,891	6.1	22,611	(17.1)	22,639	(16.8)	9,775	34.4
June 30, 2023	101,671	18.1	27,259	108.2	27,203	105.8	7,274	-

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
June 30, 2024	59.89	57.38
June 30, 2023	45.09	43.05

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2024	166,185	68,186	40.5	410.29
As of June 30, 2023	160,680	55,596	33.9	335.48

(Reference) Equity: As of June 30, 2024: ¥67,242 million
As of June 30, 2023: ¥54,504 million

* Consolidated Financial Results are exempt from audits conducted by certified public accountants or audit firms.

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

- The Group has adopted International Financial Reporting Standards (IFRS) from the fiscal year ended June 30, 2024. Presentation of figures as of transition date and as of June 30, 2023, in the consolidated financial statements also conforms to IFRS.
- 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.

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.

Appendix

Table of Contents

1. Overview of Operating Results, etc. 2
(1) Overview of Operating Results for the Period 2
(2) Overview of Financial Position for the Period 3
(3) Overview of Cash Flows for the Period 3
(4) Future Outlook 4

2. Basic Policy Regarding Selection of Accounting Standards 5

3. Consolidated Financial Statements and Primary Notes 6
(1) Consolidated Financial Position 6
(2) Consolidated Statement of Profit or Consolidated Statement of Comprehensive Income 8
(3) Consolidated Statement of Changes in Equity 10
(4) Consolidated Statement of Cash Flows 12
(5) Notes to the Consolidated Financial Statements 13
Notes on going concern assumption 13
Segment information 13
Per share information 16
Significant subsequent events 16
First-time adoption of IFRS 17

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.

1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Period

During the fiscal year ended June 30, 2024, the Group worked to accelerate the growth of existing businesses and create new businesses in order to achieve the Group mission, "Circulate all forms of value to unleash the potential in all people." As a result, the Group achieved record-high revenue and operating profit on a consolidated basis. In new businesses, it was a year of significant growth for each service, with the launch of *Mercari Hallo*, an on-demand work service, in March 2024, and the number of issued *Mercards*, the credit card service launched in November 2022, surpassing 3.4 million cards.

In the Marketplace domain, the Group strived to focus on top-line growth while continuing disciplined investments as its business policy for the current fiscal year. Although growth in focus areas, such as crossborder transactions and B2C, and the loyalty program (Note 1) contributed to top-line growth, they failed to accelerate growth, and full-year GMV (Note 2) amounted to ¥1,072.7 billion (up 9% year-on-year). On the other hand, the Group achieved high profitability, with an adjusted core operating margin (Note 3) of 40%, including the investment in *Mercari Hallo*. *Mercari Hallo* got off to a good start, with the number of registered users surpassing 5 million less than three months after launch and the number of partner locations reaching 50,000 nationwide.

In the Fintech domain, the Group focused on acquiring *Mercard* users and aiming to enhance Group synergy as its business policy for the current fiscal year. The number of cards issued steadily grew, and ARPU within *Mercari* increased by 50% for *Mercard* holders, showing definite progress in the creation of Group synergy. In addition, credit services centered on *Mercard* also grew strongly, raising profitability, and full-year revenue (Note 3) continued to grow at a high rate of 51% year-on-year. Amid credit balance (Note 4) growing to ¥187.2 billion, driven by the growth of credit services, the collection rate (Note 5) improved to 99.2% as a result of strict credit control, etc. that utilizes the Group's unique AI credit check, and realized sound growth.

As a result of the above, Japan Region reported revenue of ¥138,108 million (up 13.0% year-on-year) and segment profit of ¥30,649 million (down 10.4% year-on-year) for the fiscal year ended June 30, 2024.

In its US business, the Group's business policy for the current fiscal year was 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. Despite taking on bold challenges such as product updates including rebranding to attract Gen Z and becoming the first US marketplace to charge zero selling fees, these efforts were unable to return the US business to a growth trajectory due to the significant impact of the external environment, including prolonged inflation beyond expectations. As a result, full-year GMV of *Mercari* in the US for the current fiscal year decreased 10% year-on-year to US$913 million (¥136.1 billion; the exchange rate conversion is the total of the amounts calculated for each month using the average rate during the month), and revenue amounted to ¥43,653 million (down 1.8% year-on-year). Based on these conditions, the Group conducted a review of marketing expenses and implemented a reorganization. As a result, segment loss improved significantly to ¥5,293 million (versus a loss of ¥8,758 million in the corresponding period of the previous fiscal year).

As a result, for the fiscal year ended June 30, 2024, the Group recorded revenue of ¥187,407 million (9.0% increase year-on-year), operating profit of ¥17,486 million (6.7% increase year-on-year), and profit attributable to owners of parent of ¥13,461 million (2.7% 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% for transactions within *Mercari* by taking pay, buy, and sell actions (cross-use).
(Note 2) GMV (Gross Merchandise Value) is the total value of merchandise sold during a specified period.
(Note 3) Refers to figures after deducting internal transactions between Marketplace and Fintech (outsourced payment processing fees).
(Note 4) *Merpay Smart Payments* (lump-sum and fixed-amount payment) and *Merpay Smart Money* credit balance as of June 30, 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) Overview of Financial Position for the Period

(Assets)

Total assets at the end of the current fiscal year increased by ¥83,423 million from the end of the previous fiscal year to ¥501,773 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 ¥68,685 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 ¥20,004 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)

Total liabilities at the end of the current fiscal year increased by ¥66,937 million from the end of the previous fiscal year to ¥429,627 million.

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

- Borrowings (current liabilities) decreased by ¥6,166 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 ¥39,730 million from the end of the previous fiscal year, primarily due to the liquidation of receivables for fixed-amount payments.
- Deposits received increased by ¥37,409 million from the end of the previous fiscal year, primarily due to higher spending on *Mercari* and *Merpay*.
- Income taxes payable decreased by ¥5,084 million from the end of the previous fiscal year, primarily due to payment of income taxes.

(Equity)

Total equity at the end of the current fiscal year increased by ¥16,486 million from the end of the previous fiscal year to ¥72,145 million.

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

- Share capital increased by ¥1,752 million from the end of the previous fiscal year following the issuance of new shares.
- Capital surplus increased by ¥485 million from the end of the previous fiscal year following the issuance of new shares and share-based payment transactions.
- Retained earnings increased by ¥13,652 million from the end of the previous fiscal year primarily due to the recording of profit attributable to owners of parent.

(3) Overview of Cash Flows for the Period

Cash and cash equivalents (hereinafter referred to as "cash") for the current fiscal year decreased by ¥9,823 million from the end of the previous fiscal year and amounted to ¥191,998 million at the end of the current fiscal year.

The status of cash flows and their contributing factors for the current fiscal year are as follows.

(Cash flows from operating activities)

Cash used in operating activities during the current fiscal year amounted to ¥43,337 million (compared to ¥35,820 million used in the previous fiscal year). This is primarily attributable to profit before tax of ¥17,889 million, an increase in trade and other receivables of ¥68,635 million, an increase in deposits received of ¥35,887 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 during the current fiscal year amounted to ¥877 million (compared to ¥601 million used in the previous fiscal year). This is primarily attributable to purchase of investment securities of ¥1,526 million and proceeds from refund of leasehold and guarantee deposits of ¥531 million.

(Cash flows from financing activities)

Cash provided by financing activities during the current fiscal year amounted to ¥32,091 million (compared to ¥25,167 million provided in the previous fiscal year). This is attributable to net increase (decrease) in short-

term borrowings of ¥(15,835) million and proceeds from issuance of bonds and long-term borrowings of ¥51,000 million.

(4) Future Outlook

Toward achieving the Group mission, the Group's policy is essentially to aim for top-line growth that will lead to increased profits. For the fiscal year ending June 30, 2025, consolidated revenue is forecast to be between ¥200.0 billion and ¥210.0 billion (up 6.7–12.1% year-on-year) and consolidated core operating profit between ¥22.0 billion and ¥25.0 billion (up 16.6–32.5% year-on-year).

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. Basic Policy Regarding Selection of Accounting Standards

The Group has voluntarily adopted International Financial Reporting Standards (IFRS) to improve international comparability and usability of financial information.

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. Consolidated Financial Statements and Primary Notes

(1) Consolidated Financial Position

(Millions of yen)

	As of transition date (July 1, 2022)	As of June 30, 2023	As of June 30, 2024
Assets			
Current assets			
Cash and cash equivalents	211,758	201,822	191,998
Trade and other receivables	80,422	126,752	195,437
Deposits paid	7,093	2,708	3,764
Other financial assets	–	196	1,543
Other current assets	3,258	7,165	9,289
Total current assets	302,533	338,645	402,033
Non-current assets			
Property, plant and equipment	2,110	1,825	1,472
Right-of-use assets	6,939	4,323	3,477
Intangible assets	781	855	570
Deferred tax assets	3,366	8,297	8,350
Guarantee deposits	26,774	61,608	81,612
Other financial assets	2,024	1,859	3,268
Other non-current assets	650	933	988
Total non-current assets	42,648	79,704	99,739
Total assets	345,181	418,349	501,773

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 June 30, 2024
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	20,112	20,862	21,560
Borrowings	55,602	71,834	65,668
Lease liabilities	2,014	1,741	1,163
Income taxes payable	1,409	6,517	1,433
Deposits received	139,069	163,712	201,121
Other financial liabilities	359	1,036	1,363
Other current liabilities	8,461	9,206	10,232
Total current liabilities	227,029	274,912	302,543
Non-current liabilities			
Bonds and borrowings	74,302	84,533	124,263
Lease liabilities	4,800	2,445	2,214
Provisions	512	477	382
Deferred tax liabilities	102	183	95
Other non-current liabilities	220	137	127
Total non-current liabilities	79,938	87,777	127,084
Total liabilities	306,967	362,689	429,627
Equity			
Share capital	44,628	45,596	47,349
Capital surplus	47,299	49,706	50,192
Retained earnings	(55,891)	(42,777)	(29,125)
Treasury shares	(0)	(0)	(0)
Other components of equity	1,798	2,821	3,422
Equity attributable to owners of parent	37,835	55,346	71,836
Non-controlling interests	378	313	308
Total equity	38,214	55,659	72,145
Total liabilities and equity	345,181	418,349	501,773

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) Consolidated Statement of Profit or Consolidated Statement of Comprehensive Income

(Consolidated Statement of Profit or Loss)

(Millions of yen)

	For the fiscal year ended June 30, 2023	For the fiscal year ended June 30, 2024
Revenue	171,967	187,407
Cost of sales	58,010	57,676
Gross profit	113,956	129,730
Selling, general and administrative expenses	97,247	110,861
Other income	468	598
Other expenses	791	1,981
Operating profit	16,385	17,486
Finance income	501	891
Finance costs	493	488
Profit before tax	16,393	17,889
Income tax expense	3,346	4,433
Profit	13,046	13,455
Profit attributable to		
Owners of parent	13,113	13,461
Non-controlling interests	(66)	(6)
Profit	13,046	13,455
Earnings per share		
Basic earnings per share (yen)	81.28	82.48
Diluted earnings per share (yen)	77.61	79.01

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.

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	For the fiscal year ended June 30, 2023	For the fiscal year ended June 30, 2024
Profit	13,046	13,455
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	(272)	463
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	694	614
Effective portion of change in fair value of cash flow hedges	160	373
Total other comprehensive income (after considering tax effects)	582	1,451
Comprehensive income	13,629	14,906
Comprehensive income attributable to		
Owners of parent	13,694	14,911
Non-controlling interests	(65)	(4)
Comprehensive income	13,629	14,906

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) Consolidated Statement of Changes in Equity

For the fiscal year ended June 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, 2022	44,628	47,299	(55,891)	(0)	1,831	–
Profit			13,113			
Other comprehensive income						694
Comprehensive income	–	–	13,113	–	–	694
Issuance of shares	967	967			(1,102)	
Share-based payment transactions		1,439			1,543	
Total transactions with owners	967	2,407	–	–	440	–
Balance as of June 30, 2023	45,596	49,706	(42,777)	(0)	2,272	694

	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, 2022	–	(32)	1,798	37,835	378	38,214
Profit				13,113	(66)	13,046
Other comprehensive income	159	(272)	581	581	0	582
Comprehensive income	159	(272)	581	13,694	(65)	13,629
Issuance of shares			(1,102)	832		832
Share-based payment transactions			1,543	2,983		2,983
Total transactions with owners	–	–	440	3,815	–	3,815
Balance as of June 30, 2023	159	(305)	2,821	55,346	313	55,659

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 fiscal year ended June 30, 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			13,461			
Other comprehensive income						614
Comprehensive income	–	–	13,461	–	–	614
Issuance of shares	1,752	(346)			(1,178)	
Purchase of treasury shares				(0)		
Share-based payment transactions		832			520	
Transfer from other components of equity to retained earnings			190			
Total transactions with owners	1,752	485	190	(0)	(658)	–
Balance as of June 30, 2024	47,349	50,192	(29,125)	(0)	1,613	1,308

	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				13,461	(6)	13,455
Other comprehensive income	371	463	1,449	1,449	1	1,451
Comprehensive income	371	463	1,449	14,911	(4)	14,906
Issuance of shares			(1,178)	226		226
Purchase of treasury shares				(0)		(0)
Share-based payment transactions			520	1,352		1,352
Transfer from other components of equity to retained earnings		(190)	(190)	–		–
Total transactions with owners	–	(190)	(848)	1,579	–	1,579
Balance as of June 30, 2024	531	(32)	3,422	71,836	308	72,145

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) Consolidated Statement of Cash Flows

(Millions of yen)

	For the fiscal year ended June 30, 2023	For the fiscal year ended June 30, 2024
Cash flows from operating activities		
Profit before tax	16,393	17,889
Depreciation and amortization	2,745	2,042
Interest and dividend income	(501)	(891)
Interest expenses	210	202
Decrease (increase) in trade and other receivables	(46,324)	(68,635)
Change in deposits paid	4,436	(970)
Increase (decrease) in trade and other payables	644	501
Change in deposits received	23,943	35,887
Other	(21)	(286)
Subtotal	1,526	(14,260)
Interest received	500	837
Interest paid	(211)	(202)
Change in guarantee deposits	(34,831)	(20,000)
Income taxes paid	(3,336)	(10,274)
Income taxes refund	358	523
Other	173	38
Net cash provided by (used in) operating activities	(35,820)	(43,337)
Cash flows from investing activities		
Purchase of investment securities	(286)	(1,526)
Purchase of property, plant and equipment	(580)	(155)
Proceeds from refund of leasehold and guarantee deposits	177	531
Other	88	272
Net cash provided by (used in) investing activities	(601)	(877)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	867	(15,835)
Proceeds from issuance of bonds and long-term borrowings	25,660	51,000
Redemption of bonds and repayments of long-term borrowings	(348)	(1,888)
Proceeds from issuance of shares	832	226
Repayments of lease liabilities	(1,844)	(1,412)
Net cash provided by (used in) financing activities	25,167	32,091
Effect of exchange rate changes on cash and cash equivalents	1,317	2,299
Net increase (decrease) in cash and cash equivalents	(9,936)	(9,823)
Cash and cash equivalents at the beginning of period	211,758	201,822
Cash and cash equivalents at the end of period	201,822	191,998

(5) Notes to the 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 reportable 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. There are no aggregated business segments when deciding the reportable segments.

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

Intersegment revenue is based on actual market price.

Transition date (July 1, 2022)

The amounts for segment assets and liabilities are not disclosed here because they are not included in the periodic review for determining the distribution of management resources and evaluating business results.

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 fiscal year ended June 30, 2023

(Millions of yen)

	Reportable segments			Other (Note 2)	Total	Adjustments	Consolidated
	Japan Region	US	Total				
Revenue							
Marketplace	101,714	44,440	146,155	–	146,155	–	146,155
Fintech	20,485	–	20,485	–	20,485	–	20,485
Other	–	–	–	5,326	5,326	–	5,326
Total	122,199	44,440	166,640	5,326	171,967	–	171,967
Revenue from contracts with customers	111,010	44,440	155,451	5,326	160,787	–	160,787
Revenue from other sources	11,188	–	11,188	–	11,188	–	11,188
Total	122,199	44,440	166,640	5,326	171,967	–	171,967
Revenue from external customers	122,199	44,440	166,640	5,326	171,967	–	171,967
Intersegment revenue or transfers	–	–	–	1,176	1,176	(1,176)	–
Total	122,199	44,440	166,640	6,502	173,143	(1,176)	171,967
Segment profit (loss)	34,213	(8,758)	25,455	(182)	25,273	(8,887)	16,385
Finance income	–	–	–	–	–	–	501
Finance costs	–	–	–	–	–	–	493
Profit before tax	–	–	–	–	–	–	16,393
(Other items)							
Depreciation and amortization	2,004	131	2,136	249	2,386	359	2,745

(Notes) 1. Total amount of the segment profit (loss) corresponds to operating profit described in the consolidated statements of income.
2. The “Other” column includes business segments that are not included in the reportable segments, such as the sports business.
3. Adjustments for segment profit (loss) mainly consist of general and administrative expenses that are not attributable to reportable segments.
4. For “US,” the amount of delivery revenue is recognized at the full amount of consideration received from the customer, which is recorded as ¥24,916 million.
5. “Revenue from external customers” includes revenue from contracts with customers and revenue from other sources. Revenue from other sources is primarily interest revenue in accordance with IFRS 9 “Financial Instruments” (hereinafter, “IFRS 9”), which was ¥11,137 million.
6. The amounts for segment assets and liabilities are not disclosed here because they are not included in the periodic review for determining the distribution of management resources and evaluating business results.

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 fiscal year ended June 30, 2024

(Millions of yen)

	Reportable segments			Other (Note 2)	Total	Adjustments	Consolidated
	Japan Region	US	Total				
Revenue							
Marketplace	107,271	43,653	150,924	–	150,924	–	150,924
Fintech	30,837	–	30,837	–	30,837	–	30,837
Other	–	–	–	5,645	5,645	–	5,645
Total	138,108	43,653	181,762	5,645	187,407	–	187,407
Revenue from contracts with customers	118,982	43,653	162,635	5,645	168,281	–	168,281
Revenue from other sources	19,126	–	19,126	–	19,126	–	19,126
Total	138,108	43,653	181,762	5,645	187,407	–	187,407
Revenue from external customers	138,108	43,653	181,762	5,645	187,407	–	187,407
Intersegment revenue or transfers	–	–	–	1,559	1,559	(1,559)	–
Total	138,108	43,653	181,762	7,204	188,966	(1,559)	187,407
Segment profit (loss)	30,649	(5,293)	25,355	91	25,447	(7,960)	17,486
Finance income	–	–	–	–	–	–	891
Finance costs	–	–	–	–	–	–	488
Profit before tax	–	–	–	–	–	–	17,889
(Other items)							
Depreciation and amortization	1,290	41	1,332	278	1,610	432	2,042

(Notes) 1. Total amount of the segment profit (loss) corresponds to operating profit described in the consolidated statements of income.
2. The “Other” column includes business segments that are not included in the reportable segments, such as the sports business.
3. Adjustments for segment profit (loss) mainly consist of general and administrative expenses that are not attributable to reportable segments.
4. For “US,” the amount of delivery revenue is recognized at the full amount of consideration received from the customer, which is recorded as ¥25,274 million.
5. “Revenue from external customers” includes revenue from contracts with customers and revenue from other sources. Revenue from other sources is primarily interest revenue in accordance with IFRS 9, which was ¥18,310 million.
6. The amounts for segment assets and liabilities are not disclosed here because they are not included in the periodic review for determining the distribution of management resources and evaluating business results.

(3) Information on non-current assets by region (excluding financial assets, assets related to retirement benefits, and deferred tax assets)

This information is omitted because the amount of non-current assets located in Japan accounts for the majority of non-current assets in the Consolidated Financial Position.

(4) Information about major customers

This information is omitted because, of revenue from external customers, there are no customers that account for 10% or more of revenue in the Consolidated Statement of Profit or Loss.

Per share information

(1) Basic earnings per share and diluted earnings per share

	For the fiscal year ended June 30, 2023	For the fiscal year ended June 30, 2024
Basic earnings per share (yen)	81.28	82.48
Diluted earnings per share (yen)	77.61	79.01

(2) Basis for calculating basic earnings per share and diluted earnings per share

	For the fiscal year ended June 30, 2023	For the fiscal year ended June 30, 2024
Profit used to calculate basic earnings per share and diluted earnings per share		
Profit attributable to owners of parent (million yen)	13,113	13,461
Amount not attributable to common shareholders of parent (million yen)	–	–
Profit used to calculate basic earnings per share (million yen)	13,113	13,461
Profit adjustment (million yen)	–	–
Profit used to calculate diluted earnings per share (million yen)	13,113	13,461
Weighted average number of shares of common stock used to calculate basic earnings per share and diluted earnings per share		
Weighted average number of shares of common stock used to calculate basic earnings per share (thousands of shares)	161,334	163,220
Effect of dilutive potential common stock (thousands of shares)	7,618	7,153
Weighted average number of shares of common stock used to calculate diluted earnings per share (thousands of shares)	168,952	170,374
Outline of potential common stock excluded from the computation of diluted earnings per share due to its non-dilutive effect	–	–

(Note) There were no significant transactions involving common stock or potential common stock between the end of the fiscal year and the date of approval of these consolidated financial statements.

Significant subsequent events

Not applicable.

First-time adoption of IFRS

The Group has prepared its consolidated financial statements in accordance with IFRS from the fiscal year ended June 30, 2024.

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 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 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 financial assets as financial assets measured 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 the 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
						Current liabilities
	–	20,133	(20)	20,112	(h)	Trade and other payables
Short-term borrowings	54,254	1,348	–	55,602	(i)	Borrowings
Current portion of long-term borrowings	1,348	(1,348)	–	–	(i)	
	–	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	Reclassifi-cation	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 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 and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
	–	20,994	(131)	20,862	(h)	Trade and other payables
Short-term borrowings	55,121	16,713	–	71,834	(i)	Borrowings
Current portion of long-term borrowings	16,713	(16,713)	–	–	(i)	
	–	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	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	(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 current assets" 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 was separately presented under current liabilities under Japanese GAAP, was 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 expenses 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 stock 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.

12) Reconciliations of retained earnings

(Millions of yen)

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

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
Valuation difference on available-for-sale securities	(0)	–	(272)	(272)	7)	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income
						Items that may be reclassified to profit or loss
Foreign currency translation adjustments	747	–	(53)	694		Exchange differences on translation of foreign operations
Deferred gains or losses on hedges	160	–	–	160		Effective portion of change in fair value of cash flow hedges
Total other comprehensive income	908	–	(325)	582		Other comprehensive income (after considering tax effects)
Comprehensive income	13,823	–	(193)	13,629		Comprehensive income

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 expenses 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 stock 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 "Finance costs."

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 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.