Consolidated Financial Results
for the Three Months Ended March 31, 2013
[IFRS]

May 10, 2013

Company name: NEXON Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Stock code: 3659

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Scheduled date for filing of quarterly securities report: May 15, 2013

Scheduled date of commencing dividend payments: －

Supplementary briefing material on quarterly financial results: Yes

Quarterly financial results briefing: No

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

1. Consolidated Financial Results for the Three Months Ended March 31, 2013 (from January 1, 2013 to March 31, 2013)

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

Millions of yen

	Revenue		Operating income		Income before income tax		Net income		Net income attributable to owners of the parent		Total comprehensive income	
Three months ended March 31, 2013	44,364	46.0%	20,716	23.6%	22,588	31.8%	15,350	19.1%	15,150	16.6%	25,131	29.6%
Three months ended March 31, 2012	30,377	－	16,760	－	17,138	－	12,893	－	12,996	－	19,384	－

(Yen)	Basic earnings (loss) per share from continuing operations	Diluted earnings (loss) per share from continuing operations
Three months ended March 31, 2013	34.77	34.13
Three months ended March 31, 2012	30.26	29.31

(2) Consolidated Financial Position

Millions of yen

	Total assets	Total equity	Total equity attributable to owners of parent	Ratio of equity attributable to owners of parent
As of March 31, 2013	343,534	245,728	241,867	70.4%
As of December 31, 2012	320,188	222,245	218,728	68.3%

2. Dividends

Yen

	Annual Dividends				
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	End of Year	Total
Fiscal year ended December 31, 2012	—	—	—	5.00	5.00
Fiscal year ending December 31, 2013	—				
Fiscal year ending December 31, 2013(Forecast)		5.00	—	5.00	10.00

(Note) Revision of most recently announced dividend forecasts: No

3. Consolidated Financial Results Forecast for the Second Quarter (cumulative) of the Fiscal Year Ending December 31, 2013 (from January 1, 2013 to June 30, 2013)

(% changes from the previous corresponding period)

Millions of yen

	Revenues		Operating income		Income before income tax		Net income		Net income attributable to owners of parent		Basic earnings per share
2nd Quarter (cumulative)	78,385 ～ 80,355	-% ～ -%	32,072 ～ 33,040	-% ～ -%	33,829 ～ 34,798	-% ～ -%	23,875 ～ 24,380	-% ～ -%	23,543 ～ 24,040	-% ～ -%	53.97 ～ 55.11

(Note)Revision of most recently announced forecasts： No

As it is difficult at present to calculate reasonable full-year consolidated earnings forecasts for the fiscal year ending December 31, 2013, the Company has disclosed only 2nd quarter (cumulative) earnings forecasts. For details, please refer to “1. Qualitative Information on Consolidated Financial Results for the Period under Review (3) Qualitative Information on Consolidated Financial Results Forecast” on page 2 of the Appendix.

Year-on-year comparisons are not available because the fiscal year ending December 31, 2012 was compiled under J-GAAP.

(Notes)

(1) Changes in Significant Subsidiaries during the Period under Review (changes in specified subsidiaries accompanying 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) Number of Shares Issued (common stock)

1) Total number of shares issued at the end of the period (including treasury stock):	As of March 31, 2013	436,163,900 shares	As of December 31, 2012	435,539,900 shares
2) Total number of treasury shares at the end of the period:	As of March 31, 2013	— shares	As of December 31, 2012	— shares
3) Average number of shares during the period (cumulative):	Three months ended March 31, 2013	435,781,900 shares	Three months ended March 31, 2012	429,532,650 shares

Presentation regarding the Implementation Status of the Quarterly Review Process

This quarterly financial report is outside the scope of quarterly review procedures under the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly financial report, review procedures for the Consolidated Financial Statements are in progress.

Explanation of the Proper Use of Financial Results Forecasts and Other Notes

(Adoption of International Financial Reporting Standards (“IFRS”))

The Group has adopted the International Financial Reporting Standards (“IFRS”) from the first quarter of the fiscal year ending March 31, 2013. Additionally, the Group presented the consolidated financial statements for the same period of the previous fiscal year and for the full previous fiscal year in compliance with IFRS. For differences between IFRS and Japanese Generally Accepted Accounting Principles (“Japanese GAAP”) in respect of the Group’s financial data, please refer to “3. Condensed Consolidated Financial Statements (9) First-time Adoption of IFRS” on page 25 of the Appendix. In line with the adoption of IFRS, the rule for rounding a number to the nearest million has been changed from rounding down to rounding off.

(Caution Concerning Forward-Looking Statements)

The forward-looking statements including the financial results forecast herein are based on information available to the Company and certain assumptions deemed reasonable as of the date of publication of this document, and are not intended as the Company’s commitment to achieve such forecasts. Actual results may differ significantly from these forecasts due to a wide range of factors. For conditions prerequisite to the financial results forecast and the points to be noted in the use thereof, please refer to “1. Qualitative Information on Consolidated Financial Results for the Period under Review (3) Qualitative Information on Consolidated Financial Results Forecast” on page 2 of the Appendix.

(Method of Obtaining Supplementary Briefing Material on Quarterly Financial Results)

Supplementary briefing materials on quarterly financial results have been posted on the Company’s website.

Contents of Appendix

1. Qualitative Information on Consolidated Financial Results for the Period under Review

From the first quarter of the fiscal year under review (January 1, 2013 to March 31, 2013), NEXON Co., Ltd. has adopted International Financial Reporting Standards ("IFRS") in lieu of Japanese GAAP previously adopted. Analyses involving the previous fiscal year results have also been adjusted to be IFRS-based.

(1) Qualitative Information on Consolidated Operating Results

During the three months ended March 31, 2013, the U.S. economy was supported by an improvement in the housing market, but owing partly to the impact of fiscal problems, concerns about employment conditions persisted. In Europe, economic sentiment continued to deteriorate mainly due to debt problems in Italy and Cyprus. In China, the economic recovery showed signs of a standstill, with real GDP growth slowing, despite strong infrastructure investment. At the same time, in South Korea, domestic demand remained sluggish and uncertainty about the economy increased further amid the change of administration. Meanwhile, in Japan, the yen depreciated and stock prices rose against the backdrop of new monetary easing by the Bank of Japan while strong consumer spending was apparent.

In this economic environment, the NEXON Group strove to expand its PC online game business and mobile game business, to provide high-quality game titles to a wide range of users, and to acquire outstanding content that is able to cater for users' diversifying tastes. In addition, the Group proceeded to update existing titles and distribute new titles.

As a result, in the three months ended March 31, 2013, consolidated revenue was ¥44,364 million (up 46.0% year-on-year), operating income was ¥20,716 million, up 23.6%, and profit for the period was ¥15,350 million, up 19.1%. During the first quarter under review, the average yen-dollar rate was 1 U.S. dollar = ¥92.42, with the yen weakening by ¥13.14 year-on-year. The average yen-won rate was 100 South Korean won = ¥8.53, marking yen depreciation of ¥1.5 year-on-year.

Performance results by reporting segments, presented as geographical location, are as follows:

(1) Japan

In Japan, sales of some existing PC online game titles declined. However, as turning gloops, Inc. into a wholly-owned subsidiary in 2012 made a positive contribution in the mobile game segment, revenue was ¥9,953 million, up 222.4% year-on-year, and segment profit was ¥1,932 million, up 448.4%.

(2) Korea

In Korea, royalty revenue increased due to favorable performances by *Sudden Attack* and *Dungeon&Fighter* as well as increased sales of *Dungeon&Fighter* in China. As a result, revenue was ¥30,687 million, up 27.0% year-on-year, and segment profit was ¥18,026 million, up 8.7%.

(3) China

In China, increased consulting fees accompanies by strong online game titles resulted in revenue of ¥1,708 million, up 28.7% year-on-year, and segment profit of ¥1,335 million, up 27.3%.

(4) North America

In North America, sales of most existing titles decreased, but *Mabinogi* and *Vindictus* performed well and contributed to revenue. Revenue was ¥1,463 million, up 9.5% year-on-year, and the segment loss was ¥182 million, compared to a loss of ¥145 million a year earlier.

(5) Other

In other areas, revenue expanded mainly due to buoyant demand for existing titles. Revenue was ¥553 million, up 15.6% year-on-year, and segment profit was ¥96 million, down 19.0%.

In addition, please refer to the "First Quarter of Fiscal 2013 Shareholder Letter" and the "First Quarter of Fiscal 2013 Investor Presentation" disclosed on May 10, 2013 for detailed consolidated earnings information for the first quarter ended March 31, 2013.

(2) Qualitative information on consolidated financial position

(1) Assets, liabilities and equity

(Assets)

Current assets as of March 31, 2012 totalled ¥170,804 million, an increase of ¥15,640 million from the end of the previous fiscal year. This increase mainly reflected an increase of ¥25,774 million in cash and cash equivalents. Non-current assets totalled ¥172,730 million, a rise of ¥7,706 million from the end of the previous fiscal year. This rise mainly reflected an increase of ¥2,066 million in property, plant and equipment and a ¥5,305 million increase in other financial assets.

As a result, total assets were ¥343,534 million, an increase of ¥23,346 million compared to the end of the previous fiscal year.

(Liabilities)

Liabilities as of March 31, 2013 totaled ¥48,965 million, an increase of ¥4,645 million from the end of the previous fiscal year. This increase mainly reflected an increase of ¥3,280 million in income tax payables. Non-current liabilities totalled ¥48,841 million, a decrease of ¥4,782 million from the end of the previous fiscal year. This decrease mainly resulted from a decline of ¥4,269 million in borrowings.

As a result, total liabilities were ¥97,806 million, a decrease of ¥137 million from the end of the previous fiscal year.

(Equity)

Total equity as of March 31, 2013 was ¥245,728 million, an increase of ¥23,483 million from the end of the previous fiscal year. This increase is mainly attributable to profit for the period of ¥15,350 million.

As a result, equity attributable to owners of the parent was 70.4%, compared to 68.3% at the end of the previous consolidated fiscal year.

(2) Cash flow

Cash and cash equivalents (“Cash”) as of March 31, 2013 were ¥110,510 million, an increase of ¥25,774 million from the end of the previous fiscal year.

Cash flows from each activity for the three months ended March 31, 2013 and their significant components are as follows:

(Net cash flows from (used in) operating activities)

Net cash provided by operating activities was ¥2,424 million, compared to ¥18,895 million in the three months ended March 31, 2012. Major revenue components included profit before tax of ¥22,588 million, and major expenditure components included an increase in trade and other receivables of ¥18,126 million.

(Net cash flows from (used in) investing activities)

Net cash provided by investing activities was ¥26,557 million, compared to net cash used of ¥25,099 million in the three months ended March 31, 2012. Major revenue components included a decrease in other deposits of ¥28,352 million, and major expenditure components included payments for property, plant and equipment of ¥1,677 million.

(Net cash flows from (used in) financing activities)

Net cash used in financing activities was ¥6,663 million, compared to net cash used of ¥1,918 million in the three months ended March 31, 2012. Major revenue components included proceeds from exercise of stock options of ¥193 million, while major expenditure components included payments for repayment of long-term borrowings of ¥5,251 million and cash dividends paid of ¥1,157 million.

(3) Qualitative Information on Consolidated Financial Results Forecast

With regard to the earnings outlook for the fiscal year ending December 31, 2013, it is difficult to forecast the PC online game market and the mobile game market, in which the Group’s main businesses operate, and the business environment surrounding the Group has changed substantially. Consequently, in order to provide accurate information to shareholders and investors, the Group has held back the disclosure of full-year earnings forecasts and will disclose earnings forecasts for the following quarter.

In addition, consolidated earnings forecasts for the second quarter of fiscal year 2013 represent earnings estimates for the second quarter added to actual results in the first quarter of fiscal 2013.

2. Matters Related to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period under Review:

Not applicable

(2) Changes in Accounting Policies and Changes in Accounting Estimates:

Not applicable

3. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Statement of Financial Position

(Million yen)

	As of January 1, 2012	As of December 31, 2012	As of March 31, 2013
Assets			
Current assets			
Cash and cash equivalents	117,599	84,736	110,510
Trade and other current receivables	14,190	21,787	39,699
Other deposits	8,503	40,803	14,214
Other current financial assets	8,357	2,984	2,917
Other current assets	1,791	4,854	3,464
Total current assets	150,440	155,164	170,804
Non-current assets			
Property, plant and equipment	16,434	10,527	12,593
Goodwill	11,595	46,475	46,868
Intangible assets other than goodwill	32,627	30,800	30,060
Investments accounted for under equity method	9,187	14,964	15,698
Other non-current financial assets	10,361	49,483	54,788
Other non-current assets	1,025	1,183	2,568
Deferred tax assets	4,715	11,592	10,155
Total non-current assets	85,944	165,024	172,730
Total assets	236,384	320,188	343,534

(Million yen)

	As of January 1, 2012	As of December 31, 2012	As of March 31, 2013
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other current payables	2,999	6,967	7,639
Deferred income (current)	8,112	8,841	8,833
Current borrowings and current portion of non-current borrowings	3,004	11,505	11,479
Income taxes payable	6,672	9,491	12,771
Other current financial liabilities	534	1,081	924
Current provisions	1,130	1,296	2,269
Other current liabilities	2,090	5,139	5,050
Total current liabilities	24,541	44,320	48,965
Non-current liabilities			
Deferred income (non-current)	5,707	5,265	5,099
Non-current borrowings	18,397	42,670	38,401
Other non-current financial liabilities	489	1,402	1,296
Non-current provisions	118	82	126
Other non-current liabilities	345	314	417
Deferred tax liabilities	4,742	3,890	3,502
Total non-current liabilities	29,798	53,623	48,841
Total liabilities	54,339	97,943	97,806
Equity			
Capital stock	50,300	51,342	51,449
Capital surplus	49,841	50,188	50,292
Other equity interest	1,155	11,905	21,861
Retained earnings	77,297	105,293	118,265
Total equity attributable to owners of parent	178,593	218,728	241,867
Non-controlling interests	3,452	3,517	3,861
Total equity	182,045	222,245	245,728
Total liabilities and equity	236,384	320,188	343,534

(2) Condensed Consolidated Income Statement

(Million yen)

	Three months ended March 31, 2012	Three months ended March 31, 2013
Revenue	30,377	44,364
Cost of sales	4,405	7,831
Gross profit	25,972	36,533
Selling, general and administrative expenses	8,031	15,343
Other income	78	164
Other expenses	1,259	638
Operating income	16,760	20,716
Finance income	1,501	2,336
Finance costs	164	196
Equity in losses of affiliates	959	268
Income before Income Tax	17,138	22,588
Income tax expense	4,245	7,238
Net income	12,893	15,350
Attributable to:		
Owners of the parent	12,996	15,150
Non-controlling interests	(103)	(200)
Net income	12,893	15,350
Earnings per share (attributable to owners of the parent)		(Yen)
Basic earnings per share from continuing operations	30.26	34.77
Diluted earnings per share from continuing operations	29.31	34.13

(3) Condensed Consolidated Statement of Comprehensive Income

The first quarter of the current fiscal year

(Million yen)

	Three months ended March 31, 2012	Three months ended March 31, 2013
Net income	12,893	15,350
Other comprehensive income (loss)		
Items that will not be reclassified subsequently to net income or loss		
Other comprehensive income, before tax gains (losses) on revaluation	(537)	3,871
Remeasurement of defined benefit pension plans	—	(0)
Share of other comprehensive income of associates and joint ventures accounted for using equity method, before tax	(0)	(4)
Income tax relating to items that will not be subsequently reclassified	118	(1,444)
Total items that will not be subsequently reclassified to net income	(419)	2,423
Items that may be subsequently reclassified to net income or loss		
Exchange differences on translating foreign currencies	6,937	7,300
Cash flow hedges	—	46
Share of other comprehensive income of associates and joint ventures accounted for using equity method, before tax	(27)	(14)
Income tax relating to items that may be subsequently reclassified	—	26
Total items that may be subsequently reclassified to net income or loss	6,910	7,358
Other comprehensive income for the period, net of income tax	6,491	9,781
Total comprehensive income	19,384	25,131

Attributable to:		
Owners of the parent	19,245	24,780
Non-controlling interests	139	351
Total comprehensive income	19,384	25,131

(4) Condensed Consolidated Statement of Changes in Equity

The first three months ended March 31, 2012

(Million yen)

	Equity attributable to owners of the parent						
	Capital stock	Capital surplus	Other equity interest	Retained earnings	Total	Non-controlling interests	Total equity
Balance at January 1, 2012	50,300	49,841	1,155	77,297	178,593	3,452	182,045
Net income for the period	—	—	—	12,996	12,996	(103)	12,893
Other comprehensive income for the period, net of income tax	—	—	6,249	—	6,249	242	6,491
Total comprehensive income	—	—	6,249	12,996	19,245	139	19,384
Issue of ordinary shares	603	603	—	—	1,206	—	1,206
Expenses related to issue of new ordinary shares		(2)			(2)		(2)
Recognition of share-based payments	—	—	(56)	—	(56)	—	(56)
Acquisitions and disposals of non-controlling interests	—	(286)	—	—	(286)	(172)	(458)
Increase/decrease through transfers and other changes, equity	—	(2)	—	—	(2)	—	(2)
Total transaction value of the owner	603	313	(56)	—	860	(172)	688
Balance at March 31, 2012	50,903	50,154	7,348	90,293	198,698	3,419	202,117

The first three months ended March 31, 2013

(Million yen)

	Equity attributable to owners of the parent						
	Capital stock	Capital surplus	Other equity interest	Retained earnings	Total	Non-controlling interests	Total equity
Balance at January 1, 2013	51,342	50,188	11,905	105,293	218,728	3,517	222,245
Net income for the period	—	—	—	15,150	15,150	200	15,350
Other comprehensive income for the period, net of income tax	—	—	9,630	—	9,630	151	9,781
Total comprehensive income	—	—	9,630	15,150	24,780	351	25,131
Issue of ordinary shares	107	107	—	—	214	—	214
Expenses related to issue of new ordinary shares	—	(0)	—	—	(0)	—	(0)
Payment of dividends	—	—	—	(2,178)	(2,178)	—	(2,178)
Recognition of share-based	—	—	326	—	326		326

payments							
Acquisitions and disposals of non-controlling interests	—	(3)	—	—	(3)	(7)	(10)
Total transaction value of the owner	107	104	326	(2,178)	(1,641)	(7)	(1,648)
Balance at March 31, 2013	51,449	50,292	21,861	118,265	241,867	3,861	245,728

(5) Condensed Consolidated Statement of Cash Flows

(Million yen)

	Three months ended March 31, 2012	Three months ended March 31, 2013
Cash flows from operating activities		
Income before Income Tax	17,138	22,588
Depreciation and amortization	2,330	3,301
Interest and dividend income	(355)	(356)
Interest paid	162	187
Investment loss on equity method	959	268
Decrease (increase) in trade and other receivables	2,936	(18,126)
Increase (decrease) in trade and other payables	327	(843)
Increase (decrease) in deferred income	(442)	(772)
Other adjustments	(554)	1,096
Adjustments to reconcile profit (loss)	22,501	7,343
Interest and dividends received	326	471
Interest paid	(140)	(374)
Income taxes paid	(3,792)	(5,016)
Net cash flows from (used in) operating activities	18,895	2,424
Cash flows from investments		
Decrease (increase) in other deposits	(19,676)	28,352
Payments for property, plant and equipment	(1,143)	(1,677)
Proceeds from sales of property, plant and equipment	5	77
Purchases of intangible assets	(276)	(645)
Payments associated with increase in long-term prepaid expenses	(191)	(36)
Payments for acquisition of investment securities	(1,084)	(175)
Proceeds from sale of investment securities	85	74
Purchases of affiliates	(2,751)	(128)
Purchases of subsidiaries or other businesses	(464)	(10)
Other cash flows (outflows) from investing activities	396	725
Net cash flows from investments	(25,099)	26,557
Financing activities		
Net increase (decrease) in short-term borrowings	3,139	(233)
Payments for repayment of long-term borrowings	(6,311)	(5,251)
Proceeds from exercise of stock options	1,072	193
Cash dividends paid	—	(1,157)
Other	182	(215)
Net cash flows from (used in) financing activities	(1,918)	(6,663)
Net increase (decrease) in cash and cash equivalents	(8,122)	22,318
Cash and cash equivalents at the beginning of the period	117,599	84,736
Effects of exchange rate changes on the balance of cash held in foreign currencies	2,309	3,456
Cash and cash equivalents at the end of the period	111,786	110,510

(6) Notes on Going Concern Assumption

Three months ended March 31, 2013

Not applicable

(7) Notes to Condensed Consolidated Financial Statements

1 Reporting entity

NEXON Co., Ltd (the Company) is a company based in Japan. The Company's consolidated financial statements are comprised of the Group. The Group mainly engages in businesses relating to the production, development and distribution of online games. Details of each business are described in "(8) Segment Information" .

The Company's parent company is NXC Corporation, and it is the ultimate parent of the Group.

2 Basis of preparations

(1) Compliance with IFRS and matters relating to its first-time adoption

Since the Company qualifies as a "specified company" as provided in Article 1-2, Paragraph 1, Item 1 (a) to (c) and (d) (3) of "Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements" (Ordinance of the Ministry of Finance No. 28 of 1976), these condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" under the provision of Article 93 of "Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements" (Cabinet Office Ordinance No. 64 of 2007) ("IAS 34").

The Group has applied International Financial Reporting Standards (IFRS) from the fiscal year ended December 31, 2013, and the annual consolidated financial statements for the current fiscal year will be the first consolidated financial statements that are prepared in accordance with IFRS. The date of transition to IFRS (the transition date to IFRS) is January 1, 2012, and the Group has applied IFRS 1 "First-time Adoption of International Financial Reporting Standards" ("IFRS 1").

An explanation of how the method of first-time adoption adopted by the Group and the transition to IFRS has affected the Group's financial position, operating results and cash flows is provided in " (9) Initial Application of International Financial Reporting Standards (IFRS) ". These condensed consolidated financial statements were approved by the Board of Directors on May 10, 2013.

(2) Basis of measurement

The condensed consolidated financial statements have been prepared on the historical cost basis except for financial instruments measured at fair value, etc.

(3) Presentation currency

The Group has adopted Japanese yen, the Company's functional currency, as the presentation currency for these condensed consolidated financial statements, and has adopted a unit of one million yen. Fractional amounts of less than one million yen have been rounded off to the nearest million yen.

(4) Early application of standards and interpretations

The Group has made an early application of IFRS 9 "Financial Instruments" (issued in November 2009, revised in October 2010; "IFRS 9") since the date of transition to IFRS.

(5) New standards and interpretations not applied

Among the new standards, revised standards and new interpretations, those that the application of which were not compulsory as of March 31, 2013 were not applied when the consolidated financial statements of the Group, with the exception of IFRS 9, were prepared. The revised standards that were not applied as of March 31, 2013 are as listed below. This is not anticipated to have an effect on the consolidated financial statements of the Group.

Standards	Title	Date Compulsory (Fiscal Year Starting)	Date Applicable to This Company	Newly Enactment or Revision Summary
IAS 32	Financial Instruments: Presentation	January 1, 2014	Fiscal Year December 2014	Offsetting financial assets and financial liabilities
IFRS 10	Consolidated Financial Statements	January 1, 2014	Fiscal Year December 2014	Establishment of regulations on exceptions regarding consolidation of subsidiaries by a corporation which satisfy requisites of an investment firm
IFRS 12	Disclosure to Other Corporations	January 1, 2014	Fiscal Year December 2014	Revision of the disclosure method for corporations which satisfy the requisites of an investment firm

3 Significant accounting policies

The accounting policies described below have been consistently applied throughout all the periods presented in the preparation of these condensed consolidated financial statements (including the condensed consolidated statement of financial position as of the date of transition to IFRS).

(1) Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities which are controlled by the Group. If the Group has an exposure or rights relating to fluctuating returns that arise as a result of its participation in a certain company and has the capacity to exert an impact on that return based on its power in relation to the company concerned, the Group controls the company concerned. The financial statements of subsidiaries are included in the consolidated financial statements from the date when control is obtained until the date when it is lost.

In regard to the comprehensive income of a subsidiary, even if the non-controlling interest is a negative balance, it is attributable to the owner of the parent company and the non-controlling interest.

Intra-Group balances and transactions, and unrealized gains or losses arising from intra-Group transactions are eliminated in preparing the consolidated financial statements.

(b) Change in equity interest in a subsidiary in which control is not lost

A change in the Group’s equity interest in a subsidiary over which it does not lose control is accounted for as an equity transaction. Furthermore, the carrying amount of the Group’s interest and non-controlling interest is adjusted to reflect any change in interest in a subsidiary. Any difference between the adjustment to the non-controlling interest and the fair value of the consideration paid or received is recognized directly within equity as “Equity attributable to owners of the parent.”

(c) Treatment of subsidiaries

If the Group loses control of a subsidiary, the gain or loss on disposal is calculated as the difference between (i) the sum of the fair value of the consideration received and the fair value of the remaining interest and (ii) the previous carrying amount of the subsidiary’s assets (including goodwill) and liabilities as well as the non-controlling interest in the subsidiary, and is recognized in profit or loss.

(d) Associates

Associates are entities over which the Group has a significant influence in respect to management decisions on their operating and financial policies but does not have a controlling interest. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for using the equity method by recognizing the acquisition cost at the time of acquisition. In the case of the equity method, the Group’s investment in an associate is initially recognized at cost, and the amount of investment in the associate is revised by recognizing the Group’s interest in the net profit or loss and other comprehensive income of the associate (after adjustment to conform to the Group's accounting policies) from the date when the Group begins to have a significant influence over the associate until the date when the significant influence is lost.

If the equivalent value of the Group's interest in the losses of an associate exceeds the investment interest in the associate (including a long-term investment that effectively consists of part of the net investment in the associate), a loss greater than that amount will not be recognized except when the Group bears or pays debts (legal debts or estimated debts) on behalf of the associate.

Any amount that exceeds "the Group's interest in the net amount of fair value of identifiable assets, liabilities, and incidental liabilities" of an associate where the "acquisition cost" has been recognized at the acquisition date is recognized as goodwill and included in the carrying amount of the investment in the associate. Moreover, any amount by which the "the Group's interest in the net amount of fair value of identifiable assets, liabilities, and incidental liabilities" of an associate that has been recognized at the acquisition date is immediately recognized as a profit or loss.

Goodwill which constitutes part of the carrying amount of an investment in an associate is not separately tested for impairment, as it is not separately recognized, but an investment in an associate becomes subject to an impairment test as a single asset when there is objective evidence that it has been impaired.

Unrealized gains arising from transactions with an associate accounted for using the equity method are deducted from investments, with the Group's interest in the invested company being the maximum deductible amount. Unrealized losses are deducted in the same way as unrealized gains, unless there is objective evidence that impairment is occurring or has occurred.

(2) Business combinations

The Group has adopted the exemptions of IFRS 1, which enable selective application, and has not adopted retrospective application of "Business combinations" in IFRS 3 ("IFRS 3") with regard to business combinations prior to the date of transition to IFRS.

Goodwill arising due to acquisitions before the IFRS transition date is recorded as the carrying value based on accounting principles that were generally recognized previously, as of the IFRS transition date after executing an impairment test based on IFRS on the IFRS transition date.

The Group has applied the acquisition method to business combinations. The transfer value includes the fair values of the assets transferred from the Company to the former owners of the acquiree, liabilities incurred, and the equity interests issued by the Company.

Excluding debt securities or instruments related to the issue of equity securities, transaction costs incurred in the Group in relation to business combinations are treated as expenses at the time of occurrence.

The identifiable assets acquired, the liabilities and contingent liabilities assumed in accordance with the recognition principles of IFRS 3 "Business Combinations" ("IFRS 3") are measured at their fair values at the acquisition date, except:

・Deferred tax assets or liabilities and liabilities (or assets) related to employee benefit contracts are recognized and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits", respectively; and

・Non-current assets or operations classified as held for sale are measured in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" ("IFRS 5").

The Group measures goodwill as the sum of the fair value of the transfer value measured at the acquisition date and the amount of non-controlling interest in acquired companies after deducting the net recognized amount of identifiable acquired assets and assumed liabilities as of the acquisition date. If this difference is a negative amount, it is recognized in profit or loss.

The Group chooses whether to measure non-controlling interests based on fair value or to measure a proportional interest of the recognized amount of identifiable net assets for each individual transaction on the acquisition date.

(3) Foreign currencies

(a) Functional currency and presentation currency

When each company in the Group prepares its respective financial statements, it translates transactions in currencies other than the functional currency of the company concerned into the functional currencies of each company using the exchange rates at the date of the transactions. The consolidated financial statements and summary quarterly consolidated financial statements of the Group use Japanese yen, which is the functional currency, as the presentation currency

(b) Translation of items denominated in foreign currencies

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currencies using the exchange rates at the end of each reporting period. Non-monetary assets and liabilities measured at fair value in foreign currencies are retranslated into the functional currencies using the exchange rates at the date when the fair value was determined. Foreign exchange differences arising from retranslation are recognized in profit or loss. However, differences arising due to retranslation of financial instruments whose fair value has been measured and whose changes are recognized as other comprehensive income and translation differences arising from cash flow hedges are recognized as other comprehensive income. Non-monetary items denominated in foreign currencies that have been measured based on acquisition cost are converted by using the exchange rates on the transaction date.

(c) Foreign operations

Assets and liabilities of Group companies with functional currencies that differ from the presentation currency (mainly foreign operations) are translated into the presentation currency using exchange rates at the end of each reporting period, including goodwill arising from the acquisition of the foreign operations, identifiable assets and liabilities and the adjustment of their fair value. Income and expenses of foreign operations are translated into the presentation currency using the average exchange rates for the period, unless the exchange rates during the period have fluctuated considerably.

Exchange differences arising on translating financial statements of foreign operations are recognized in other comprehensive income. On the disposal of the entire interest in a foreign operation, and on the partial disposal of the interest involving loss of control or significant influence, the cumulative amount of the exchange differences is reclassified to profit or loss as a part of gains or losses on disposal.

In addition, the Group has adopted exemptions in IFRS 1 and has elected to deem cumulative translation differences at the IFRS transition date as zero.

(4) Cash and cash equivalents

Cash and cash equivalents are cash on hand, demand deposits, and highly liquid short-term investments with maturities of three months or less from the date of acquisition, that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

(5) Financial instruments

(a) Non-derivative financial assets

When financial assets meet both of the following conditions, they are classified as financial assets measured at amortized cost, and in other cases, they are classified as financial assets measured at fair value.

・The asset is held based on a business model whose objective is to hold assets in order to collect contractual cash flows; and
・Based on the contractual terms of the financial assets, cash flows that are solely payments of principal and interest on the principal amount outstanding arise on specified dates.

Financial assets measured at fair value are classified as financial assets measured at fair value through profit or loss (“FVTPL”), and are measured at fair value through profit and loss.

However, equity instruments other than equity instruments held for trading that the Group designates for measurement at fair value through other comprehensive income at the time of initial recognition are classified as financial assets measured at fair value through other comprehensive income (“FVTOCI”), and are measured at fair value through other comprehensive income. A decision is made whether to apply this designation or not for each individual equity instrument and it is applied continuously as an irrevocable decision.

In regard to IFRS 9, the Company has adopted the exemption in IFRS 1 described below and decided on the classification of equity instruments already held as of the IFRS transition date.

- At the date of initial application, an entity may designate an investment in an equity instrument at fair value through other comprehensive income in accordance with paragraph 5.4.4. Such designation shall be made on the basis of the facts and circumstances that exist at the date of initial application.

(Financial assets measured at amortized cost)

Financial assets measured at amortized cost are initially recognized at fair value plus directly attributable transaction costs.

Subsequently, the carrying amount of the financial assets measured at amortized cost is calculated using the effective interest method, less impairment loss if necessary.

(FVTPL financial assets)

FVTPL financial assets are initially measured at fair value and transaction costs are recognized in profit or loss when incurred. Subsequently, they are measured at fair value and changes in their fair value are recognized as profit or loss.

(FVTOCI financial assets)

FVTOCI financial assets are initially measured at their fair value plus directly attributable transaction costs. Subsequently, they are measured at fair value, and changes in their fair value are recognized in other comprehensive income. If the recognition of these financial assets ceases or if the fair value declines remarkably, the cumulative amount of gains or losses recognized through other comprehensive income is transferred to retained earnings.

Dividends obtained from such investments are recognized in net profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when the Group assigns the contractual right to receive cash flows from financial assets in transactions in which substantially all the risks and rewards of ownership of the asset are transferred to another entity.

(b) Impairment of financial assets measured at amortized cost

Financial assets measured at amortized cost are assessed on a quarterly basis regarding whether there is any objective evidence that the asset is impaired. Objective evidence of impairment include significant deterioration in the financial conditions of a borrower or a group of borrowers, default or delay in relation to the payment of principal and interest, and the bankruptcy of borrowers.

Financial assets are considered to be impaired when there is objective evidence that loss events occurred after the initial recognition of the assets, and when it is reasonably expected that the loss events have a negative impact on the estimated future cash flows of the assets

The Group assesses whether objective evidence of impairment exists individually and collectively for financial assets measured at amortized cost. An individually significant financial asset is individually assessed for impairment. All individually significant financial assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet recognized. Financial assets that are not individually significant are collectively assessed for impairment in a group of financial assets with similar risk characteristics.

The impairment loss for financial assets measured at amortized cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate, and recognized in profit or loss. Interest on the impaired assets continues to be recognized through unwinding of the discount. If there are events which decrease the amount of an impairment loss after the recognition of the impairment, the reversal of the impairment loss is recognized in profit or loss. The reversal of the impairment loss does not result in a carrying amount of the asset that exceeds what the amortized cost would have been if the impairment loss had not been recognized at the date of the reversal of the impairment loss.

(c) Non-derivative financial liabilities

Financial liabilities are recognized on the trade date when the Group becomes a party to the contractual provisions of the instruments.

Non-derivative financial liabilities of the Group principally comprise accounts payable, borrowings and other current payables, which are recognized initially at fair value after deducting directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method.

The Group derecognizes financial liabilities when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired.

(d) Derivatives and hedge accounting

The Group uses currency swaps for the purpose of hedging foreign exchange risk on its foreign currency denominated long-term debt, and uses interest rate swaps for the purpose of hedging interest rate volatility risk on its borrowings. Derivative transactions are conducted and managed in accordance with derivative transaction management regulations, and are conducted with the approval of the person with settlement authority in the Accounting and Finance Department of the Company. In addition, in terms of using derivatives, the transactions are conducted only with highly rated financial institutions in order to mitigate credit risk. The Group designates the derivatives that it holds as cash flow hedges.

When initiating hedges, the Group officially specifies and documents the hedge relationships to which it intends to apply hedge accounting as well as the risk management objectives and strategies used in carrying out hedges. These documents include specific hedge methods, items or transactions that will be subject to hedges, the properties of risks that are hedged, and methods to evaluate the effectiveness of hedge relationships.

In addition, when initiating hedges and continually thereafter, the Group evaluates whether derivatives used in hedge transactions are highly effective or not in offsetting changes in cash flows that are subject to hedging.

Derivatives are initially recognized at fair value at the date when contracts are concluded. Subsequently, the Group measures their fair value, recognizes the effective portion of the hedges among changes in fair value in other comprehensive income, and immediately recognizes the ineffective portion of the hedges in profit and loss. The cumulative amount of gains or losses recognized through other comprehensive income is deducted from other comprehensive income in the summary quarterly consolidated statement of comprehensive income and transferred to profit or loss for the same period as that when hedged cash flow has an impact on profit or loss.

When a hedge does not meet the requirements of hedge accounting, when a hedge measure loses its effectiveness, is sold, ends or is exercised, or when a hedge designation is cancelled, the Company terminates the application of hedge accounting in relation to the future. When hedge accounting is terminated, the Group continues to record the balance of cash flow hedges already recognized in other comprehensive income until the planned transaction has an impact on net income. When the occurrence of the planned transaction is no longer expected, the balance of cash flow hedges is immediately recognized in net profit or loss.

(e) Presentation of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amounts are presented in the condensed consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(f) Fair value of financial instruments

With regard to the fair value of financial instruments traded on active financial markets as of each account settlement date, the Group refers to the fair value in the market or dealer prices.

The Group calculates the fair value of financial instruments for which an active market does not exist by using an appropriate evaluation technique (income approach, market approach).

(6) Property, Plant and Equipment

(a) Recognition and Measurement

The Group uses the cost model and records property, plant and equipment as the amount obtained by deducting accumulated depreciation and impairment loss from the acquisition cost.

The acquisition cost includes costs directly related to the acquisition of the asset; dismantling/removal and land restoration costs; and borrowing costs to be capitalized.

In the event that the constituent elements of property, plant and equipment have useful lives of varying duration, we will record such elements as separate property, plant and equipment items.

(b) Depreciation

The Group calculates depreciation based on the depreciable valuation. The depreciable valuation is calculated by subtracting the residual value of the asset from its acquisition cost.

Depreciation is based on the straight-line method over the estimated useful life of the each of the constituent elements of property, plant and equipment. We depreciate leased assets over the shorter of either the term of the lease, or the useful economic life of the asset; excluding those assets whose ownership the Group is reasonably sure of acquiring prior to the end of the lease contract. Note that land is not depreciated.

The estimated useful lives of the principal categories of property, plant and equipment are as below.

Buildings:	3-40 years
Vehicles:	3 years
Tools, furniture and fixtures:	3-5 years

Depreciation methods, useful lives and residual values are reviewed at the end of the consolidated fiscal year and revised as necessary.

(7) Goodwill and Intangible Assets

(a) Intangible assets Acquired Through Business Combinations (Goodwill and Other Intangibles)

The measurement of goodwill at its initial recognition is as described in (2) 'The Fundamentals of Consolidation' (c) 'Business Combination'.

Intangible assets acquired in a business combination that are recognized separately from goodwill are initially recognized at the fair value in existence on the date of their acquisition.

Measurement after Initial Recognition

Goodwill is measured by deducting the accumulated impairment loss from the acquisition cost. The book value of the goodwill of investee companies accounted for under the equity method is included in the book value of the investment.

Intangible assets other than goodwill are recorded as the amount obtained by deducting the accumulated amortization and the accumulated impairment loss from the acquisition cost, on the same basis as intangible assets acquired independently.

(b) Software

The Group incurs specific costs for the purpose of purchasing or developing software for in-house use.

Costs associated with research aimed at acquiring new scientific and technical know-how, are expensed at the time they are incurred. Expenditures associated with development activities are only capitalized as intangible assets if they can be reliably measured, are technically feasible and likely to produce significant future economic benefits; and the Group must complete development with the intent of using, or selling, the asset in question and have sufficient resources to ensure this.

Expenditure pertaining to capitalized software is recorded in an amount from which accumulated amortization and accumulated impairment loss from the acquisition cost have been subtracted.

(c) Research & Development Costs

The Group recognizes costs associated with new scientific or technical know-how, with research activities carried out for the purpose of gaining knowledge, as net profit (loss) at the time they are incurred. After meeting specific requirements, capitalized development costs are recorded in an amount from which the accumulated amortization and accumulated impairment loss from the acquisition cost have been subtracted.

(d) Games Copyright and Other Intangible Assets (Independently Acquired Intangibles)

We recognize the distribution rights of online games developed by third parties that are purchased by the Group as intangible assets and we account for them under Game Copyrights. Game Copyrights, and other intangible assets acquired by the Group with a finite useful life, are recorded in an amount from which the accumulated amortization and accumulated impairment loss from the acquisition cost have been subtracted. Note that these do not include intangible assets with an indeterminate useful life.

(e) Amortization

Amortization costs are based on the amount obtained by subtracting the asset's residual value from its acquisition cost. Based on the straight-line method, intangible assets are amortized from the date on which the said asset was available for use, throughout its estimated useful life.

The estimated useful life of our main intangible asset is as below.

Game Copyrights: 2 - 7 years

We review amortization methods, useful lives and residual values at the end of consolidated fiscal year and revise as necessary. Note that residual values are set to zero.

(8) Leases

Lease contracts that confer substantially all the risk and economic gain to the Group are classified as 'finance leases' and all other lease agreements are known as 'operating leases.'

For finance leases, we record the assets at the lower value of either the present value of the minimum lease payments, or the fair value of the leased property at the start of the lease. We record lease obligations as current and non-current liabilities in the quarterly summary of our consolidated financial position. The costs of financing outstanding debt are spread over the term of the lease and allocated to the individual periods within such term at a constant rate of interest.

In operating leases, the payments are written down using the straight line method over the term of the lease.

Variable lease fees are recognized as expenses in the period in which they are incurred.

(9) Impairment of Non-Financial Assets.

With the exception of inventory and deferred tax assets, we determine whether or not there has been any indication of impairment in the book value of the Group's non-financial assets on a quarterly basis. In the event that impairment is indicated, we estimate the recoverable amount of the asset in question. The recoverable value of intangible assets that are not yet available for use, or whose goodwill and useful life cannot be determined is estimated on the closing date of the annual consolidated accounts and at the time that signs of the impairment are indicated.

The recoverable amount of the asset or the cash-generating unit is deemed to be the higher value of either the value-in-use, or the fair value net of cost-of-sales. The value-in-use is calculated as the discounted present value of estimated future cash flows, using a pre-tax discount rate that reflects the time value of money and the inherent risk of the asset in question. A cash generating unit is defined as the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups, through use on an on-going basis.

We determine goodwill cash generating units in accordance with the units we use for recording goodwill in our in-house reporting, and such units fall within the scope of their pre-aggregate business segment.

Our corporate assets do not generate independent cash inflows. Consequently, if there is an indication of impairment to such assets, we calculate the recoverable value of the cash generating unit attributable to our corporate assets as a whole.

In cases where the book value of the asset or cash generating unit exceeds its recoverable value, the impairment losses are recognized in net profit and loss. We initially assign impairment losses recognized in relation to cash generating units to reduce the book value of the goodwill allocated to the unit, and subsequently we assign them to proportionally reduce the book value of other assets within the cash generating unit.

For previously recognized impairment losses of assets, we consider whether or not there has been any sign of reduction or elimination in impairment loss on a quarterly basis. Where there are signs of reversal, we reverse impairment losses if there are changes in the estimates used to determine the recoverable value. We do not reverse impairment losses by more than the book value that would have existed had the impairment loss not been recognized, net of the amortization or depreciation costs that would have been applicable. Note that we do not reverse impairment losses associated with goodwill.

(10) Employee Benefits

(a) Defined Contribution Pension Plan

The Company and some of the Group's subsidiaries use defined contribution pension plans. These are post-retirement benefit plans where the employer contributes a fixed amount to an independent firm, with no putative or legal obligations to pay anything in excess of these contributions. Contributions made to defined contribution pension plans are recognized as expenses during an employee's period of service.

(b) Defined Benefit Pension Plan

Some of the Group's subsidiaries use defined benefit pension plans. These are post-retirement benefit plans other than defined contribution pension plans. The subsidiary's net liabilities with regard to a defined benefit pension plan are calculated by discounting to present value the estimated amount of future benefits earned in compensation for services provided by an employee during a given year and previous years.

(c) Short-term Employee Benefits

We do not perform discount calculations with regard to benefits for short-term employees; rather we record such benefits as expenses at the point in time that the associated services were offered.

The Group is obligated to pay current legal and putative bonuses for previous work provided by employees, and if the amounts can be reliably estimated, then we recognize as liabilities the estimated amounts to be paid under such systems.

(11) Share-based Compensation

The Group has introduced a stock-option scheme as an incentive program for directors and employees. We recognize the fair value, on the date the stock options are granted, as an expense during the period from the date of grant until the rights are vested**,** and this amount as an increase in the constituent elements of 'other capital'. We consider the terms and conditions of the options granted and calculate their fair value using the Black-Scholes model. Moreover, we regularly review these terms and conditions and revise our estimates of the vested number as necessary.

Note that the Company has availed itself of the exemption in IFRS 1 and has not applied the provisions of IFRS 2 "Share-based Payment" to stock options vested prior to the date of transition to IFRS.

If stock options are exercised, the Company will issue new shares, and the accounting treatment will use the method stated in (13) Shareholders' Equity.

(12) Provisions

Provisions allow the Group to treat as current obligations, those legal and putative obligations that can be reasonably estimated as a result of past events when it is recognized that there is a high probability that an outflow of economic resources will be required to settle such obligations. Provisions discount the estimated future cash flows to their present value using a pre-tax rate that reflects the time value of money and the risks inherent to the liability in question. Rebates on discounted values due to the passage of time are recognized as financial expenses.

When we prepare to restore leased offices and building as per our obligations , we recognize and measure asset retirement obligations by specifically estimating the individual status of each property based on its estimated useable period, which is decided by taking into account our past experience of restoration and the useful life of the internal fixtures provided in the office etc.

(13) Shareholders' Equity

Common (capital) Stock

The issue price of common (capital) stock issued by the Company is recorded as capital stock and capital surplus, with costs connected directly with the issue (after tax considerations) being deducted from capital surplus.

(14) Revenue

The Group conducts business in the PC online business, the mobile business, consulting services related to the online game business, and the internet advertising business. Revenues are measured by the amount derived by subtracting sales related taxes from the fair value of what is paid for the goods and services supplied in its normal commercial transaction.

In connection with transaction that supply services, if all the conditions below are satisfied and if the results of the transaction can be reliably estimated, revenue is recognized depending on the degree of process of the transaction as of the term-end date.

・The amount of revenue can be reliably measured.
・The financial benefits related to the transaction are highly likely to flow to the Group.
・The degree of progress of the transaction as of the term-end date can be reliability measured.
・The expenses generated by the transaction and expenses required to complete the transaction can be reliably measured.

In connection with transaction that supply services, if reliable estimates are not possible, only the revenue, related to the portion of expenses recognized as collectable, is recognized.

The standards for revenue recognition in the respective main categories of revenue and the standards for presenting the total amount and net amount of revenue are as follows:

(a) Standards for revenue recognition for each main category of revenue

The Group takes in revenue mainly from: (i) sales revenue from sales of items and the like in its PC online business and mobile business, (ii) royalty revenue from granting distribution rights for PC games that the Group has developed and commoditized, and (iii) revenue from its consulting business for PS online distribution and in-game advertising business.

(i) Sales revenue from selling items and the line in our PC online business and mobile business

In the PC online business, we distribute PC online games developed by the Group or other companies. With the PC online games of other companies, a fee is not charged for using basic games, but the approach taken is to charge when an item required for the game is purchased or when a specific service is used. With the PC online games, the usage period for game items obtained by exchanging them for game points is estimated, and the sales revenue over this estimated usage period is recognized.

In the mobile business, we distribute mobile games developed by the Group or other companies to cell phones, mobile phone units, smart phones and similar mobile devices. With mobile games, a fee is not charge for using basic games, but the approach taken is to charge when an item required for the game is purchased or when a specific service is used. With mobile games, the usage period for game items obtained by exchanging them for game points is estimated, and the sales revenue over this estimated usage period is recognized.

(ii) Royalty revenue from granting distribution rights for PC online games that the Group has developed and commoditized

The Group, as the copyright holder of the online games that have been developed and commoditized by the Group, concludes licensing agreements with distributors outside the Group, and grants them distribution rights.

Royalty revenue that is generated by granting distribution rights to a third party is recognized on an accrual basis in accordance with the real terms of the relevant royalty agreements when the financial benefits related to the transaction are highly likely to flow to the Company and the amount of revenue can be reliably measured.

(iii) Revenue from its consulting business for online distribution and in-game advertising business

The consulting business is a consulting service provided to a subsidiary that is a domestic distributer in China in connection with the billing system, building the club member system, management tasks, business strategy, game operation and marketing, and revenue is recognized depending on the degree of progress of the transaction related to the services provided. The in-game advertising business is advertising to which the user is directly exposed when the user uses a functional item during the game which has an added advertising function, and sales are recognized for the period during which the advertising is implemented.

(b) Presentation of the total amount and net amount of revenue

The Group, in some cases, functions as an intermediary or agent in a normal transaction. In reporting revenue from a transaction of this sort, a decision is made to either present revenue as the total amount received in payment from the customers, or to present revenue as the net amount after subtracting the commission to a third party and other payment amounts from the total amount received as payment by the customer. However, in any case, whether using either method of presenting the total amount or the net amount, there is no effect on the net profit or loss.

When making the decision about whether to present the total amount or the net amount of revenue, the criteria is whether the Group corresponds to a "principal contracting party" or corresponds to an "agent, etc." of the transaction. If the Group corresponds to a principal contracting party, revenue is presented as a total amount, and if the Group corresponds to an agent, etc., revenue is presented as a net amount. When making the decision as to whether a principal contracting party or an agent, etc., with regard to exposure to significant risks and benefits connected with selling goods or supplying services, the transaction conditions, etc. are individually evaluated.

With some transactions, the Group corresponds to a principal contracting party, and as a result, as requisites for presenting revenue as a total amount for such transaction, the following metrics are given consideration:

・Services are supplied to a customer, or there is a primary responsibility to fill an order
・Discretionary rights are held with respect to direct or indirect pricing decisions
・Customer credit risk is borne with respect to a credit obligation to the customer

With some transactions, the Group corresponds to an agent, etc., and as a result, as requisites for presenting revenue as a net amount for such transactions, the following metrics are given consideration:

・The price (commission or fee) of the services provided is a fixed amount
・The price paid to the Group is calculated by multiplying the value of the services provided by a certain percentage

(15) Financial revenue and financial expense

Financial revenue is comprised principally of interest income, dividend income and fluctuations in the fair value of financial assets, which is measured as the fair value through net profit or loss. Interest income is recognized when generated using the effective interest rate method. Dividend income is recognized on the date specified by the dividend rights of the Group. Financial expense is comprised principally of interest income and fluctuations in the fair value of financial assets measured at fair value through profit or loss (FVTPL). Interest expense is recognized when generated using the effective interest rate method.

(16) Income tax expense

Income tax expense on the summary quarterly consolidated financial statements is calculated using the estimated average annual effective tax rate applied to pretax quarterly income, and is recognized as net profit or loss excluding taxes, items otherwise recognized as comprehensive income and items directly recognized in capital.

Deferred tax assets and liabilities are recognized with respect to the temporary difference between the accounting treatment book value and the tax treatment amount of assets and liabilities. Deferred tax assets are only recognized within a range of high probability arising from taxable income utilizing the temporary difference as much as possible. Note that for the following temporary differences, deferred tax assets and liabilities are not recognized:

・A temporary difference added in the future of the initially recognized goodwill
・A temporary difference when an asset or liability is initially recognized involving a transaction other than business combination that is a transaction without an effect on profit and loss of either the accounting treatment or tax treatment
・A temporary difference that is to be added later involving an investment in a subsidiary and affiliate, if the resolution date for the temporary difference can be controlled and it is highly likely that the temporary difference will not be resolved within a predicable period
・A temporary difference that is to be added later involving an investment in a subsidiary and affiliate, if it is highly likely that the temporary difference will not be resolved within a predicable period

The reason deferred tax assets and deferred liabilities can be offset is because of the binding right under the law to offset current tax assets and current tax liabilities, and the deferred tax assets and deferred tax liabilities relate to a corporate income taxes that are assessed by the same tax bureau of a single taxable entity.

(17) Quarterly earnings per share

The Group discloses quarterly earnings per share basically and after dilution in connection with common shares (inhering to the owners of the parent company). Quarterly earnings per share basically are calculated as quarterly earnings that inhere to the owners of the parent company excluding the weighted average number of shares of outstanding common shares adjusted for treasury shares for that period. Quarterly earnings per share after dilution, with regard to the effect of all potential common shares that have the dilutive effect, are calculated by adjusting the quarterly earnings that inhere to the owners of the parent company and weighted average number of shares of outstanding shares adjusted by treasury shares. The potential common shares of the Group are those in connection with the stock option system, etc.

(18) Dividends

Dividends on stock of the Company are recognized as liabilities for the period belonging to the date of recognition by the board of directors of the Company.

(19) Segment information

The business segment is a structural unit of business activity that raises revenue and generated expenses, including from transactions with other business segments. With the business results of all the business segments, financial information can be obtain on each, individually, and the board of directors of the Company conducts periodic reviews in order to distribute management resources to each segment and to evaluate their performance results.

4. Significant accounting treatment estimations and judgments

In preparing the condensed consolidated financial statements in compliance with IFRS, management must make judgments on the application of accounting policy and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, as well as make estimations and set provisional amount. The actual performance results are in some cases different from these estimations.

Estimations and the provisional amounts that are fundamental to these are continuously revised. The effect due to revision of the estimations in the accounting treatment is recognized in the accounting period of this estimation that was revised and in future accounting periods.

Among the estimations and provisionally set amounts, the estimations and provisionally set amounts that could have a significant effect on the amounts recognized on the consolidated financial statements of the Group are as follows:

・Measurement method for the fair value of financial instruments, etc. (Note 3. Significant accounting policies (5))
・Impaired non-financial assets (Note 3. Significant accounting policies (7))
・Usage period for game items in the PC online game business (Note 3. Significant accounting policies (14) (a) (i))
・Collection potential of deferred tax assets (Note 3. Significant accounting policies (16))

(8) Segment information

(1) Outline of reportable segments

With the reporting segments, among the structural units of the Group, separate financial statements can be obtained, and these are subject to periodic reviews by the board of directors in order to distribute management resources to each segment and to evaluate their performance results.

The Group is engaged in the production, development and distribution of online games, and with regard to the goods and services it handles, the Company and domestic consolidated subsidiaries in terms of within Japan, and local consolidated subsidiaries in terms of overseas, respectively draft comprehensive strategies and develop business activities as independently managed entities in each region. Therefore, the Group is comprised of segments for different locations of the various companies that have as a foundation the production, development and distribution of online games. The five reporting segments are “Japan”, “Korea”, “China”, “North America” and “Other” which includes various countries in Europe and Asia.

(2) Revenues, profit or loss by reportable segment

Information on the segments of the Group is as follows:

For three months ended March 31, 2012 (From January 1, 2012 to March 31, 2012) (Million yen)

	Reportable Segments					Total	Adjusted Amount *3	Consoli-dated
	Japan	Korea	China	North America	Other *2)			
Revenues								
Revenues from external customers	3,088	24,148	1,327	1,336	478	30,377	—	30,377
Intersegment revenues	—	1,241	—	15	—	1,256	(1,256)	—
Total	3,088	25,389	1,327	1,351	478	31,633	(1,256)	30,377
Segment profit or loss*1	353	16,580	1,049	(145)	117	17,954	(13)	17,941
Other income and expense (net)								(1,181)
Operating income								16,760
Finance income (cost), net								1,337
Equity in losses of affiliates								959
Income before income tax								17,138

(Notes) 1. Segment profit or loss is calculated by deducting cost of sales and selling, general and administrative expenses from revenues

2. “Other” includes Europe.

3. Adjustments in segment profit or loss of (-13 million yen) is for the elimination of transaction between segments.

For three months ended March 31, 2013 (From January 1, 2013 to March 31, 2013) (Million yen)

	Reportable Segments					Total	Adjusted Amount *3	Consoli-dated
	Japan	Korea	China	North America	Other *2			
Revenues								
Revenues from external customers	9,953	30,687	1,708	1,463	553	44,364	—	44,364
Intersegment revenues	40	1,190	—	62	59	1,351	(1,351)	—
Total	9,993	31,877	1,708	1,525	612	45,715	(1,351)	44,364
Segment profit or loss*1	1,932	18,026	1,335	(182)	96	21,207	(17)	21,190
Other income and expense (net)								(474)
Operating income								20,716
Finance income (cost), net								2,140
Equity in losses of affiliates								(268)
Income before income tax								22,588

(Note) 1. Segment profit or loss is calculated by deducting cost of sales and selling, general and administrative expenses from revenues

2. "Other" includes Europe and Asia.

3. Adjustments in segment profit or loss of (-17 million yen) is for the elimination of transaction between segments.

(3) Information on each region

Revenues from external customers are as follows:

	For three months ended March 31, 2012 (From January 1, 2012 To March 31, 2012)	For three months ended March 31, 2013 (From January 1, 2013 To March 31, 2013)
	Million Yen	Million Yen
Japan	3,097	9,927
Korea	8,857	10,589
China	15,175	20,409
North America	1,398	1,418
Other	1,850	2,021
Total	30,377	44,364

(Note) 1. Revenue is divided by country or region based on the location of the customer.

2. The category of the country or region is determined by geographic proximity.

3. Main countries or regions in each category:

(1) North America: USA and Canada

(2) Other: Europe, Central and South America and various Asian countries

(9) Initial application of International Financial Reporting Standards (IFRS)

The Group, until the consolidated accounting year ended December 31, 2012, prepared consolidated financial statements in compliance with the generally accepted accounting principles ("Japanese GAAP") in Japan, but as stated in Note 2 (1), these are the first consolidated financial statements of the Group in compliance with the IFRS.

The accounting policy stated in Note 3 is applied to the preparation of the condensed consolidated financial statements for the consolidated accounting year ended March 31, 2013, the comparative information that is presented in the condensed consolidated financial statements for the consolidated accounting year ended March 31, 2012, and the opening IFRS statements of consolidated quarterly financial position for January 1, 2012 (IFRS transition date for the Group).

In preparing these opening IFRS statement of consolidated quarterly financial position, the Group adjusted the amounts reported in the financial statements prepared based on Japan standards. The effects of the transition from the Japanese standards to the IFRS on the financial status, financial performance results and cash flow of the Group are stated in the following charts and notes related to the following charts.

Waiver rules on retroactive application

IFRS No. 1 "First Time Adoption of International Financial Reporting Standards" (hereinafter, IFRS No. 1) requests that companies that apply IFRS for the first time, retroactively apply IFRS. Some exceptions are recognized, however, and the Company is applying these waiver rules.

・IFRS No. 2 is not applied to stock-related compensation when the rights were determined prior to the IFRS transition date.
・Selecting to apply Business combination – IFRS No. 3 "Business combination" going forward as of January 1, 2012, it will not be retroactively applies to the business combinations arising prior to the IFRS transition date.
・The cumulative foreign currency translation difference until the IFRS transition date connected to investments in overseas consolidated subsidiaries and overseas affiliated companies was set at zero, and will have no effect when a gain or loss on disposal is generated in the future.

1) Reconciliation of equity on January 1, 2012 (IFRS transition date) (Million yen)

Japanese GAAP	Japanese GAAP	Reconciliation of Presentation Items	Reconciliation in Recognition and Measurement	IFRS	Note	IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	132,479	(14,880)	―	117,599	A	Cash and cash equivalent
Notes and accounts receivable-trade	13,845	345	―	14,190	B	Trade and other current receivables
	―	8,503	―	8,503	A	Other deposits
Securities	13	(13)	―	―		
	―	8,357	―	8,357	A, D	Other current financial assets
Goods	40	(40)	―	―		
Deferred tax assets	234	(234)	―	―	C	
Other	4,134	(2,294)	(49)	1,791	B, D	Other current assets
Allowance for doubtful accounts	(22)	22	―	―	B	
Total current assets	150,723	(234)	(49)	150,440		Total current assets
Non-current assets						Non-current assets
Tangible fixed assets						
Buildings and structures, net	558	(558)	―	―		
Vehicles, delivery equipment, net	16	(16)	―	―		
Tools, furniture and fixtures, net	1,471	(1,471)	―	―		
Land	12,374	(12,374)	―	―		
Construction in progress account	1,596	(1,596)	―	―		
	―	15,694	740	16,434	E	Property, plant and equipment
Intangible fixed assets						
Game copyrights	31,164	(31,164)	―	―	F	
Goodwill	11,595	―	―	11,595		Goodwill
Other	1,315	(1,315)	―	―	F	
	―	32,479	148	32,627	F	Intangible assets other than goodwill
Investments and other assets						
Investment securities	17,002	(17,002)	―	―		
	―	9,258	(71)	9,187	G	Investments accounted for under equity method
Long-term loan receivable	71	(71)	―	―		
	―	10,361	―	10,361	H	Other non-current financial assets
Deferred tax assets	4,680	234	(199)	4,715	C	Deferred tax assets
Long-term prepaid expenses	653	(653)	―	―	I	
Security deposits and guaranty money	2,167	(2,167)	―	―	H	
Other	3,196	(2,220)	49	1,025	E,H,I	Other non-current assets

Allowance for doubtful accounts	(2,815)	2,815	—	—	H	
Total fixed assets	85,043	234	667	85,944		Total non-current assets
Total Assets	235,766	—	618	236,384		Total assets

(Million Yen)

Japanese GAAP	Japanese GAAP	Reconciliation of Presentation Items	Reconciliation in Recognition and Measurement	IFRS	Note	IFRS
Liabilities						Liabilities and equity
Current liabilities						Current liabilities
Notes payable and accounts payable-trade	981	2,018	―	2,999	J	Trade and other current payables
Current portion of long-term borrowings	2,994	10	―	3,004	K	Current borrowings and current portion of non-current borrowings
Convertible bonds redeemable within one year	10	(10)	―	―	K	
Accounts payable - other	2,018	(2,018)	―	―	J	
Accrued expenses	831	(831)	―	―	O	
Income taxes payable	6,672	―	―	6,672		Income taxes payable
Deferred tax liabilities	110	(110)	―	―	L	
Advances received	8,112	―	―	8,112	M	Deferred income (current)
Provision for bonuses	1,083	(1,083)	―	―	N	
Asset retirement obligations	48	(48)	―	―	N	
	―	1,130	―	1,130	N	Current provisions
Other	1,703	298	89	2,090	O	Other current liabilities
	―	534	―	534	P	Other current financial liabilities
Total current liabilities	24,562	(110)	89	24,541		Total current liabilities
Noncurrent liabilities						Non-current liabilities
Long-term loan payable	18,568	―	(171)	18,397	Q	Loans
Deferred tax liabilities	4,537	110	95	4,742	L	Deferred tax liabilities
Long-term advances received	5,707	―	―	5,707	M	Deferred income (non-current)
Allowance for retirement benefits	203	(203)	―	―	T	
Negative goodwill	3,553	―	(3,553)	―	R	
Asset retirement obligation	118	(118)	―	―	S	
	―	118	―	118	S	Non-current provisions
Other	631	(286)	―	345	T	Other non-current liabilities
	―	489	―	489	U	Other non-current financial liabilities
Total non-current liabilities	33,317	110	(3,629)	29,798		Total non-current liabilities
Total liabilities	57,879	―	(3,540)	54,339		Total liabilities
Net assets						Equity
Capital stock	50,300	―	―	50,300		Capital stock
Capital surplus	50,162	―	(321)	49,841	V	Capital surplus
Retained earnings	90,757	―	(13,460)	77,297	W	Retained earnings
Accumulated other comprehensive income	(17,240)	456	17,939	1,155	W,X	Other equity interest

Subscription rights to shares	456	(456)	—	—	X	
	174,435	—	4,158	178,593		Total equity attributable to owners of parent
Minority interests	3,452	—	0	3,452		Non-controlling interests
Total net assets	177,887	—	4,158	182,045		Total equity
Total liabilities and net assets	235,766	—	618	236,384		Total liabilities and equity

Notes on reconciliations of capital

The main details of reconciliations are as follows.

A Cash and cash equivalents

(Presentation and reclassification)

Within cash and deposits under Japanese GAAP, time deposits with a term of longer than three months (8,503 million yen) are displayed in other deposits under IFRS, and deposits and time deposits provided as collateral (6,028million yen) as well as restricted-use deposits and time deposits (350 million yen), are included in other current financial assets.

B Trade receivables and other receivables

(Presentation and reclassification)

Accrued revenue (368 million yen) included in other of current assets and the classification of allowance for doubtful accounts (-22 million yen) under Japanese GAAP is included under IFRS within trade and other current receivables.

C Deferred tax assets

(Presentation and reclassification)

The entire amount of deferred tax assets (234 million yen), which are classified under current assets under Japanese GAAP, are classified in non-current assets under IFRS.

(Recognition and measurement reconciliation)

Due to the occurrence of temporary differences accompanying the adjustment of other items in the financial statements such as through the revision of the method of depreciation, the possibility of the occurrence of future deductible temporary differences in taxable income is considered based on IFRS, and the portion for which it is considered that recovery is possible is recognized as a deferred tax asset.

D Other current financial assets

(Presentation and reclassification)

Short-term loans receivable (1,823 million yen) and accrued interest (143 million yen) included in other of current assets under Japanese GAAP, are included within other current financial assets under IFRS.

E Property, plant and equipment

(Presentation and reclassification)

Under Japanese GAAP, amounts are showed classified into each noncurrent asset item; however, under IFRS, they are grouped together under property, plant and equipment. Also, investment real estate (322 million yen) including buildings and land is included under other non-current assets under IFRS.

(Recognition and measurement reconciliation)

Due to a revision of the method of depreciation and useful lives of assets, property, plant and equipment increased by 740 million yen.

F Intangible assets

(Presentation and reclassification)

Amounts classified into intangible assets including game copyrights (31,164 million yen) and other intangible assets (1,315 million yen) under Japanese GAAP are grouped together within intangible assets other than goodwill under IFRS.

(Recognition and measurement reconciliation)

Development expenses under Japanese GAAP were expensed in full at the time they occurred but under IFRS those development expenses that satisfy certain requisites must be capitalized and are therefore recorded as intangible assets (148 million yen).

G Investments accounted for under the equity method

(Presentation and reclassification)

Investments accounted for under the equity method (9,258 million yen) presented within investment securities under Japanese GAAP are stated within investments accounted for under equity method under IFRS.

H Other non-current financial assets
(Presentation and reclassification)
Long-term loans receivable (71 million yen), lease and guarantee deposits (2,167 million yen), allowance for doubtful accounts (-2,815 million yen, and other investments than those accounted under the equity method (7,744 million yen) classified within investments and other assets (3,196 million yen) using the equity method and disclosed as including investment securities under Japanese GAAP are presented within other non-current financial assets under IFRS.

I Other non-current assets
(Presentation and reclassification)
Long-term prepaid expenses (653 million yen) classified as investments and other assets under Japanese GAAP are displayed within other non-current assets under IFRS.

J Trade and other current payables
(Presentation and reclassification)
Accounts payable-other (2,018 million yen) classified as current liabilities under Japanese GAAP are displayed included in notes and accounts payable-trade and other obligations under IFRS.

K Loans (current)
(Presentation and reclassification)
This is variously classified as current portion of long-term loans payable (2,994 million yen) and current portion of convertible bonds redeemable within one year (10 million yen) within Japanese GAAP; however, under IFRS it is displayed within current borrowings and current portion of non-current borrowings.

L Deferred tax liabilities
(Presentation and reclassification)
Deferred tax liabilities (110 million yen) classified as current liabilities under Japanese GAAP are classified in entirety as non-current liabilities under IFRS.
(Recognition and measurement reconciliation)
A temporary difference was generated by the adjustment of other items on the Statement of Financial Position, so the temporary difference to be added in the future was recognized as deferred tax liabilities (95 million yen).

M Deferred income
(Presentation and reclassification)
This is displayed as Advances received (8,112 million yen) or long-term advances received (5,707 million yen presented within Japanese GAAP, however, in order to appropriately display the details of this accounting item, it is displayed as deferred income (current/non-current) under IFRS.

N Provisions (current)
(Presentation and reclassification)
This is categorized into each of provision for bonuses (1,083 million yen) and asset retirement obligations (48 million yen) classified under current liabilities within Japanese GAAP; however, it is displayed as current provisions under IFRS.

O Other current liabilities
(Presentation and reclassification)
Accrued expenses (822 million yen) classified under current liabilities according to the Japanese GAAP are presented as other current liabilities.
(Recognition and measurement reconciliation)
Leaves of absence not taken, which are not recognized under Japanese GAAP, are recognized under IFRS as liabilities (89 million yen), and are included within other current liabilities.

P Other current financial liabilities
(Presentation and reclassification)
Also, lease obligations (488 million yen) displayed under other current liabilities and accrued interest displayed under accrued expenses (9 million yen) according to the Japanese GAAP are displayed under other current financial liabilities according to IFRS.

Q Loans (non-current)

(Recognition and measurement reconciliation)

Under Japanese GAAP, the amounts of loans payable are measured and presented, however, under IFRS, they are measured through the amortized cost using the effective interest rate method.

R Negative goodwill

(Recognition and measurement reconciliation)

Negative goodwill arising on or before March 31, 2010 is depreciated under Japanese GAAP for a certain period after recognition; however, since under IFRS it is required to recognize income in one go at the time of recognition, this has been retrospectively adjusted by being treated as income. Due to this adjustment, negative goodwill will see a 3,553 million yen decrease and retained earnings will increase by the same amount.

S Provisions (non-current)

(Presentation and reclassification)

Asset retirement obligations (118 million yen) classified under fixed liabilities under Japanese GAAP are displayed under non-current provisions under IFRS.

T Other non-current liabilities

(Presentation and reclassification)

Allowance for retirement benefits (203 million yen) classified under fixed liabilities under Japanese GAAP are displayed included within other non-current liabilities under liabilities related to retirement benefits under IFRS.

U Other financial liabilities (non-current)

(Presentation and reclassification)

Long-term lease obligations (489 million yen) included in other of noncurrent liabilities under Japanese GAAP are presented included in other non-current financial liabilities (non-current) under IFRS.

V Capital surplus

(Recognition and measurement reconciliation)

Under Japanese GAAP, stock delivery expenses (321 million yen) and miscellaneous expenses are presented as non-operating expenses; however, since under IFRS they are deducted from capital, they are presented using a method of deduction from the capital surplus.

W Retained earnings

(Recognition and measurement reconciliation)

The impact on retained earnings of applying IFRS is as follows.

	IFRS Transfer Date January 1, 2012
	Million yen
Property, plant and equipment (See Note E)	518
Negative goodwill release (See Note R)	3,553
Stock delivery expenses (See Note V)	321
Share-based compensation (See Note X)	(204)
Exchange differences on translating foreign currencies (See Note X)	(17,729)
Other	(81)
Total adjustment to retained earnings	13,460

X Other components of equity

(Presentation and reclassification)

Under Japanese GAAP, Subscription rights to shares (456 million yen), translation adjustments (-17,712 million yen), and unrealized gains (472 million yen) on available-for-sale securities are each categorized separately; however, under IFRS, they are all included within other equity interest.

(Recognition and measurement reconciliation)

The balance of translation adjustments included within accumulated other comprehensive income (-17,712 million yen) was transferred to Retained earnings on the day of moving to IFRS.

Under Japanese GAAP, stock options issued when the company was not listed were treated based on estimates of intrinsic value per stock option unit fair value of stock options. Under IFRS, exemption rules under IFRS 1 — "First-time Adoption" are applied, and unvested stock options as of the date of moving to IFRS were treated based on the fair value as of the date of moving to IFRS.

2) Reconciliation of equity for the first quarter consolidated cumulative period (March 31, 2012) (Million yen)

Japanese GAAP	Japanese GAAP	Reconciliation of Presentation Items	Reconciliation in Recognition and Measurement	IFRS	Note	IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	146,977	(35,191)	—	111,786	A	Cash and cash equivalents
Notes and accounts receivable-trade	11,435	322	—	11,757	B	Trade and other current receivables
	—	28,761	—	28,761	A	Other deposits
Securities	33	(33)	—	—		
	—	6,752	—	6,752	A	Other current financial assets
Goods	51	(51)	—	—		
Other	2,831	(823)	11	2,019	C	Other current assets
Allowance for doubtful accounts	(16)	16	—	—	B	
Total current assets	161,311	(247)	11	161,075		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	18,268	(345)	816	18,739	D	Property, plant and equipment
Intangible assets						
Game copyright	31,737	(31,737)	—	—	F	
Goodwill	12,726	—	318	13,044	E	Goodwill
Other	1,432	(1,432)	—	—		
	—	33,169	133	33,302	F	Intangible assets other than goodwill
Investments and other assets	29,869	(29,869)	—	—		
	—	16,017	295	16,312	G	Investments accounted for under equity method
	—	6,778	—	6,778	H	Other non-current financial assets
	—	6,551	(1,305)	5,246	C, I	Deferred tax assets
	—	1,115	34	1,149	J	Other non-current assets
Total non-current assets	94,032	247	291	94,570		Total non-current assets
Total assets	255,343	—	302	255,645		Total assets

(Million yen)

Japanese GAAP	Japanese GAAP	Reconciliation of Presentation Items	Reconciliation in Recognition and Measurement	IFRS	Note	IFRS
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes payable and accounts payable-trade	1,505	1,895	－	3,400	K	Trade and other current payables
Short-term loans	3,237	176	－	3,413	L	Current borrowings and current portion of non-current borrowings
Current portion of long-term borrowings	175	(175)	－	－	L	
Convertible bonds redeemable within one year	1	(1)	－	－	L	
Income taxes payable	8,905	－	(663)	8,242	M	Income taxes payable
Advances received	8,509	－	－	8,509	S	Deferred income (current)
Provision for bonuses	422	(422)	－	－	O	
Asset retirement obligations	20	(20)	－	－	O	
	－	442	－	442	O	Current provisions
Other	4,905	(2,765)	112	2,252	K,P, Q,N	Other current liabilities
	－	511	－	511	Q	Other current financial liabilities
Total current liabilities	27,679	(359)	(551)	26,769		Total current liabilities
Noncurrent liabilities						Non-current liabilities
Long-term loans payable	15,551	－	(142)	15,409	R	Non-current borrowings
	－	4,898	(236)	4,662	N	Deferred tax liabilities
Long-term advances received	5,775	－	－	5,775	S	Deferred income (non-current)
Allowance for retirement benefits	206	(206)	－	－	V	
Negative goodwill	3,578	－	(3,578)	－	T	
Asset retirement obligations	162	(162)	－	－	U	
	－	162	－	162	U	Non-current provisions
Other	5,084	(4,734)	－	350	N,Q,V	Other non-current liabilities
	－	401	－	401	W	Other non-current financial liabilities
Total noncurrent liabilities	30,356	359	(3,956)	26,759		Total non-current liabilities
Total liabilities	58,035	－	(4,507)	53,528		Total liabilities
Net assets						Capital
Capital stock	50,903	－	－	50,903		Capital stock
Capital surplus	50,765	－	(611)	50,154	X	Capital surplus
Retained earnings	103,135	－	(12,842)	90,293	Y	Retained earnings

Accumulated other comprehensive income	(11,307)	360	18,295	7,348	Z	Other equity interest
Subscription rights to shares	360	(360)	—	—	Z	
	193,856	—	4,842	198,698		Total equity attributable to owners of parent
Minority interests	3,452	—	(33)	3,419		Non-controlling interests
Total net assets	197,308	—	4,809	202,117		Total equity
Total liabilities and net assets	255,343	—	302	255,645		Total liabilities and capital

Notes on adjustment of capital

The main details of re-conciliations are as follows.

A Cash and cash equivalents

(Presentation and reclassification)

Within cash and deposits in Japanese GAAP, time deposits with a term of longer than three months (28,761 million yen) are displayed in other deposits under IFRS, and deposits and fixed-term deposits provided as collateral (6,223 million yen) as well as restricted-use deposits and time deposits (208 million yen), are included in other financial assets (current).

B Trade receivables and other receivables

(Presentation and reclassification)

Allowance for doubtful accounts (-16 million yen), which had been presented under other current assets with accounts receivable (338 million yen) under Japanese GAAP, is included under IFRS within trade and other current receivables.

C Other current financial assets (current)

(Presentation and reclassification)

Short-term loans receivable (85 million yen) and accrued interest (203 million yen) included in other of current assets under Japanese GAAP are included within other current financial assets under IFRS.

Also, similarly, deferred tax assets (247 million yen) presented categorized as deferred tax assets included within other of current assets are classified as deferred tax assets within non-current assets under IFRS.

D Property, plant and equipment

(Presentation and reclassification)

Under Japanese GAAP, investment real estate (345 million yen) was presented under property, plant and equipment; however, under IFRS, it is included under other current assets.

(Recognition and measurement reconciliation)

Due to a revision of the method of depreciation and useful lives of assets, property, plant and equipment increased by 816 million yen.

E Goodwill

(Recognition and measurement reconciliation)

Under Japanese GAAP, goodwill was accounted for as an asset and was amortized regularly over 4-8 years; however, since goodwill is not amortized under IFRS, the amount of amortization is written back. Due to this, goodwill is increased by 318 million yen.

Additionally, the 293 million yen classified as goodwill under Japanese GAAP is presented under other Comprehensive Income under IFRS, as IFRS processes changes in equity (transactions for additional acquisitions) for subsidiaries without loss of control as equity transactions.

F Intangible assets

(Presentation and reclassification)

Game copyrights (31,737 million yen) and other of intangible assets (1,432 million yen) classified within Intangible assets under Japanese GAAP are grouped together within intangible assets under IFRS.

(Recognition and measurement reconciliation)

Development expenses under Japanese GAAP were expensed in full at the time they occurred but under IFRS those development expenses that satisfy certain requisites must be capitalized and are therefore recorded as intangible assets (133 million yen).

G Investments treated with the equity method

(Presentation and reclassification)

Investments accounted for under the equity method (16,017 million yen) presented within other assets under Japanese GAAP are separately stated under IFRS within investments accounted for under the equity method.

(Recognition and measurement reconciliation)

With investments accounted for by the equity method under Japanese GAAP, goodwill was regularly depreciated over 5-10 years but goodwill will not be depreciated under IFRS. Therefore, the amount that was recorded as a depreciation amount to investment loss using the equity method will be reversed. Due to this, investments accounted using the equity method will increase by 295 million yen.

H Other financial assets (non-current)
(Presentation and reclassification)
Investments and other assets (3,952 million yen) using the equity method and lease and guarantee deposits (2,240 million yen) that were presented within other assets under Japanese GAAP are shown in other non-current financial assets under IFRS.

I Deferred tax assets
(Presentation and reclassification)
Deferred tax assets (6,304 million yen) presented within investments and other assets under Japanese GAAP are classified in its entirety into the category of non-current assets under IFRS.
(Recognition and Measurement Reconciliation)
Due to the occurrence of temporary differences accompanying the adjustment of other items in the financial statements such as through the revision of the method of depreciation, the possibility of the occurrence of future deductible temporary differences in taxable income is considered based on IFRS, and the portion for which it is considered that recovery is possible is recognized as a deferred tax assets.

J Other non-current assets
(Presentation and reclassification)
Long-term prepaid expenses (770 million yen) classified within investments and other assets under Japanese GAAP are shown as other non-current assets under IFRS.

K Trade and other current payables
(Presentation and reclassification)
Unpaid amounts (1,895 million yen) classified within other current liabilities under Japanese GAAP as are displayed included within notes and accounts payable-trade and other obligations under IFRS.

L Loans (current)
(Presentation and reclassification)
Short-term loans payable (3,237 million yen), the current portion of long-term loans payable (175 million yen) and the current portion of convertible bond-type bonds with subscription rights to shares, displayed under current liabilities under Japanese GAAP, are displayed under IFRS as current borrowings and current portion of non-current borrowings.

M Income taxes payable
(Recognition and measurement reconciliation)
Since under Japanese GAAP, quarterly corporate taxes for certain subsidiaries are calculated with a method which is the same as the annual method, unpaid income taxes have changed due to calculation of corporate taxes with a convenient method using the estimated average annual effective tax rate based on IFRS.

N Deferred tax liabilities
(Presentation and reclassification)
Deferred tax liabilities classified as Current liabilities – other (358 million yen) and fixed liabilities – other (4,540 million yen) under Japanese GAAP are classified as Non-current liabilities under IFRS.
(Recognition and measurement reconciliation)
A temporary difference was generated by the adjustment of other items on the Statement of Financial Position, so the temporary difference to be added in the future was recognized as deferred tax liabilities (181 million yen).

O Provisions (current)
(Presentation and reclassification)
Provision for bonuses (422 million yen) and asset retirement obligations (20 million yen), classified within current liabilities under Japanese GAAP, are presented as current provisions under IFRS.

P Other current liabilities (recognition and measurement reconciliation)
Leaves of absence not taken, which are not recognized under Japanese GAAP, are recognized under IFRS as liabilities (112 million yen), and are included within other current liabilities.

Q Other financial liabilities (current)

(Presentation and reclassification)

Lease obligations (510 million yen) displayed as other of current liabilities under Japanese GAAP are displayed as other current financial liabilities under IFRS.

R Loans (non-current)

(Recognition and measurement reconciliation)

Under Japanese GAAP, the amounts of loans payable are measured and presented; however, under IFRS, they are measured through the amortized cost using the effective interest rate method and presented as non-current borrowings.

S Deferred income

(Presentation and reclassification)

This is presented as advances received (8,509 million yen) or long-term advances received (5,775 million yen) within Japanese GAAP; however, in order to more appropriately display the details of the accounting item, it is displayed as deferred income (current/non-current) under IFRS.

T Negative goodwill

(Recognition and measurement reconciliation)

Negative goodwill arising on or before March 31, 2010 is depreciated under Japanese GAAP for a certain period after recognition; however, since under IFRS it is required to recognize income in one go at the time of recognition, this has been retrospectively adjusted by being treated as income. Due to this adjustment, negative goodwill will decrease by 3,578 million yen and retained earnings will increase by the same amount.

U Provisions (non-current)

(Presentation and reclassification)

Asset retirement obligations (162 million yen) classified within fixed liabilities under Japanese GAAP are displayed as provisions (non-current) under IFRS.

V Other non-current liabilities

(Presentation and reclassification)

Provision for retirement benefits (206 million yen) classified within fixed liabilities under Japanese GAAP are displayed included within other non-current liabilities as liabilities related to retirement benefits under IFRS.

W Other financial liabilities (non-current)

(Presentation and reclassification)

Long-term lease obligations (401 million yen) and unpaid interest included in other fixed liabilities under Japanese GAAP are presented included in other non-current financial liabilities under IFRS.

X Capital surplus

(Recognition and measurement reconciliation)

Under Japanese GAAP, stock delivery expenses (4 million yen) are presented within miscellaneous disbursements non-operating expenses; however, since under IFRS they are deducted from capital, they are presented using a method of deduction from the capital surplus.

Y Retained earnings

(Measurement and recognition)

The impact on retained earnings of applying IFRS is as follows.

	Previous first quarter Consolidated accounting period March 31, 2012
	Million yen
Property, plant and equipment (See Note D)	540
Non-amortization of goodwill (See Note E)	871
Negative goodwill release (See Note T)	3,322
Stock delivery expenses (See Note X and *1)	323
Share-based compensation (See Note Z)	(239)
Exchange differences on translating foreign currencies (See Note Z)	(17,729)
Other	70
Total adjustment to retained earnings	(12,842)

*1. Stock delivery expense arose when shares were issued prior to the transfer date, and on the transfer date, 321 million yen was adjusted by the recognition method under IFRS.

Z Other components of capital

(Presentation and reclassification)

Under Japanese GAAP, subscription rights to shares (360 million yen), translation adjustments (-11,360 million yen), and unrealized gains (53 million yen) on available-for-sale securities are each categorized separately; however, under IFRS, they are all included within other equity interest.

(Recognition and measurement reconciliation)

The balance of translation adjustments (-17,712 million yen) included within accumulated other comprehensive income was transferred to retained earnings on the day of moving to IFRS.

Under Japanese GAAP, stock options issued when the company was not listed are treated based on estimates of intrinsic value per stock option unit fair value of stock options. Under IFRS, exemption rules under IFRS 1 — "First-time Adoption" are applied, and unvested stock options as of the date of moving to IFRS are treated based on the fair value as of the date of transitioning to IFRS.

3) Reconciliation of equity as of March 31, 2012 (the end of the previous fiscal year) (Million yen)

Japanese GAAP	Japanese GAAP	Reconciliation of Presentation Items	Reconciliation in Recognition and Measurement	IFRS	Note	IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	127,604	(43,205)	337	84,736	A	Cash and cash equivalents
Notes and accounts receivable-trade	21,292	508	(13)	21,787	B	Trade and other current receivables
	—	40,803	—	40,803	A	Other deposits
Securities	108	(108)	—	—		
	—	3,113	(129)	2,984	A, D	Other current financial assets
Goods	137	(137)	—	—		
Deferred tax assets	203	(203)	—	—	C	
Other	6,250	(1,258)	(138)	4,854	B,D	Other current assets
Allowance for doubtful accounts	(284)	284	—	—	B	
Total current assets	155,310	(203)	57	155,164		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment						
Buildings and structures, net	1,815	(1,815)	—	—		
Vehicles, net	12	(12)	—	—		
Tools, furniture and fixtures, net	2,056	(2,056)	—	—		
Land	3,542	(3,542)	—	—		
Construction in progress account	2,305	(2,305)	—	—		
	—	9,348	1,179	10,527	E	Property, plant and equipment
Intangible assets						
Game copyright	29,597	(29,597)	—	—	G	
Goodwill	42,670	—	3,805	46,475	F	Goodwill
	—	30,767	33	30,800	G	Intangible assets other than goodwill
Other	1,170	(1,170)	—	—	G	
Investments and other assets						
Investment securities	58,163	(58,163)	—	—	I	
	—	13,849	1,115	14,964	H	Investments accounted for under equity method
Long-term loans	678	(678)	—	—		
	—	48,910	573	49,483	I	Other non-current financial assets
Deferred tax assets	11,952	203	(563)	11,592	C	Deferred tax assets
Long-term prepaid expenses	741	(741)	—	—	J	

Lease and guarantee deposits	3,258	(3,258)	—	—	I	
Other	3,786	(2,664)	61	1,183	E, J	Other non-current assets
Allowance for doubtful accounts	(3,127)	3,127	—	—	I	
Total non-current assets	158,618	203	6,203	165,024		Total non-current assets
Total assets	313,928	—	6,260	320,188		Total assets

(Million yen)

Japanese GAAP	Japanese GAAP	Reconciliation of Presentation Items	Reconciliation in Recognition and Measurement	IFRS	Note	IFRS
Liabilities						Liabilities and equity
Current liabilities						Current liabilities
Notes and accounts payable-trade	1,439	5,500	28	6,967	K	Trade and other current payables
Short-term loans	233	(233)	―	―	L	
Current portion of long-term loans payable	10,943	233	329	11,505	L	Current borrowings and current portion of non-current borrowings
Accounts payable-other	5,500	(5,500)	―	―	K	
Accrued expenses	1,657	(1,657)	―	―	P	
Income taxes payable	9,491	―	0	9,491		Income taxes payable
Deferred tax liabilities	419	(419)	―	―	M	
Advances received	8,841	―	―	8,841	N	Deferred income (current)
Provision for bonuses	1,160	(1,160)	―	―	O	
Asset retirement obligations	136	(136)	―	―	O	
	―	1,296	―	1,296	O	Current provisions
Other	4,423	576	140	5,139	P	Other current liabilities
	―	1,081	―	1,081	Q	Other current financial liabilities
Total current liabilities	44,242	(419)	497	44,320		Total current liabilities
Noncurrent liabilities						Non-current liabilities
Long-term loans	41,355	―	1,315	42,670	R	Non-current borrowings
Deferred tax liabilities	4,064	419	(593)	3,890	M	Deferred tax liabilities
Long-term advances received	5,265	―	―	5,265	N	Deferred income (non-current)
Provision for retirement benefits	196	(196)	―	―	U	
Negative goodwill	3,198	―	(3,198)	―	S	
	―	82	―	82	T	Non-current provisions
Asset retirement obligations	82	(82)	―	―	T	
Other	601	(287)	―	314	U	Other non-current liabilities
	―	483	919	1,402	V	Other non-current financial liabilities
Total noncurrent liabilities	54,761	419	(1,557)	53,623		Total non-current liabilities
Total liabilities	99,003	―	(1,060)	97,943		Total liabilities
Net assets						Equity
Capital stock	51,342	―	―	51,342		Capital stock
Capital surplus	51,202	―	(1,014)	50,188	F,W	Capital surplus
Retained earnings	116,159	―	(10,866)	105,293	W	Retained earnings

Accumulated other comprehensive income	(8,141)	787	19,259	11,905	W,X	Other equity interest
Subscription rights to shares	787	(787)	―	―	X	
	211,349	―	7,379	218,728		Total equity attributable to owners of parent
Minority interests	3,576	―	(59)	3,517		Non-controlling interests
Total net assets	214,925	―	7,320	222,245		Total equity
Total liabilities and net assets	313,928	―	6,260	320,188		Total liabilities and equity

Notes on the Adjustment of capital

The main details of reconciliations are as follows.

A Cash and cash equivalents

(Presentation and reclassification)

Within cash and deposits in Japanese GAAP, time deposits with a term of longer than three months (40,803 million yen) are presented in other deposits under IFRS, and deposits and time deposits provided as collateral (577 million yen) as well as restricted-use deposits and time deposits (1,825 million yen), are included in other current financial assets.

(Recognition and measurement reconciliation)

Under Japanese GAAP, the Company had listed subsidiaries without material impact on the consolidated financial statements as non-consolidated subsidiaries, but is required to determine the scope of consolidation under IFRS principles. Cash and cash equivalent (337 million yen) were added due to this change.

B Trade receivables and other receivables

(Presentation and reclassification)

Allowance for doubtful accounts (-284 million yen) that was classified as accounts receivable (793 million yen) presented to include other of current assets under Japanese GAAP is included under IFRS within trade and other current receivables.

C Deferred tax assets

(Presentation and reclassification)

The entire amount of deferred tax assets (203 million yen), which are classified under current assets in Japanese GAAP, is classified in non-current assets under IFRS.

(Recognition and measurement reconciliation)

Due to the occurrence of temporary differences accompanying the adjustment of other items in the financial statements such as through the revision of the method of depreciation, the possibility of the occurrence of future deductible temporary differences in taxable income is considered based on IFRS, and the portion for which it is considered that recovery is possible is recognized as a deferred tax assets.

D Other current financial assets

(Presentation and reclassification)

Short-term loans receivable (345 million yen) and accrued interest (258 million yen) included in other of current assets under Japanese GAAP are included within other current financial assets under IFRS.

E Property, plant and equipment

(Presentation and reclassification)

Under Japanese GAAP, amounts are showing classified into each noncurrent asset item; however, under IFRS, they are grouped together under property, plant and equipment. Also, investment real estate (382 million yen) included within buildings and land is, under IFRS, included in other non-current assets.

(Recognition and measurement reconciliation)

Due to a revision of the method of depreciation and useful lives of assets, property, plant and equipment increased by 1,137 million yen.

F Goodwill

(Recognition and measurement reconciliation)

Under Japanese GAAP, goodwill was accounted for as an asset and was amortized regularly over 4-12 years; however, under IFRS, since goodwill is not amortized, the amount of amortization is reversed and. Due to this, goodwill will increase by 3,196 million yen.

In addition, under IFRS, investments are estimated at fair value and goodwill of the same amount recognized at the time of acquisition. This is because changes in equity (transactions for additional acquisitions) for subsidiaries without loss of control are classified as equity transactions under IFRS. Under IFRS, goodwill adds 1,298 million yen to other comprehensive income, and 689 million yen which was presented as goodwill under Japanese GAAP is included within capital surplus.

G Intangible assets

(Presentation and reclassification)

Game copyrights (29,597 million yen) and other intangible assets (1,170 million yen) classified within intangible fixed assets under Japanese GAAP are grouped together in intangible assets other than goodwill under IFRS.

H Investment securities and investments accounted for under the equity method

(Presentation and reclassification)

Investments accounted for under the equity method (13,848 million yen) presented within investment securities under Japanese GAAP are stated under IFRS as investments accounted for under equity method.

(Recognition and measurement reconciliation)

Under Japanese GAAP, goodwill recognized as an investment accounted by the equity method was as a rule depreciated over 5 to 10 years, but under IFRS, goodwill will not be depreciated, and the amount that was recorded to equity investment loss as the depreciation amount will be reversed and investments accounted for by the equity method will increase by 1,115 million yen.

I Other financial assets (non-current)

(Presentation and reclassification)

Amounts classified under Japanese GAAP within investment (44,314 million yen), long-term loans receivable (678 million yen), lease and guarantee deposits (3,258 million yen), allowance for doubtful accounts (-3,127 million yen), and others within investments and other assets (3,786 million yen) are displayed under IFRS as other non-current financial assets.

(Recognition and measurement reconciliation)

Under Japanese GAAP, under hedge accounting, currency swaps were treated as appropriated and interest rate swaps were treated as extraordinary, but under IFRS, they are treated using the cash flow hedge method and are presented as other non-current financial assets (1,343 million yen).

In addition, the extent of consolidation has changed due to the application of IFRS. Due to this change, long-term and investment securities, and other non-current financial assets (789 million yen) will decrease respectively.

J Other non-current assets

(Presentation and reclassification)

Long-term prepaid expenses (741 million yen) classified within Investments and other assets under Japanese GAAP are displayed under IFRS within Other non-current assets.

K Trade and other current payables

(Presentation and reclassification)

Accounts payable-other (5,500 million yen) classified within current liabilities under Japanese GAAP are displayed under IFRS included in notes and accounts payable-trade and other obligations.

L Loans (current)

(Presentation and reclassification)

Short-term loans payable (233 million yen) and current portion of long-term loans payable (10,943 million yen) classified within current liabilities within Japanese GAAP are displayed under IFRS as current borrowings and current portion of non-current borrowings.

M Deferred tax liabilities

(Presentation and reclassification)

Deferred tax liabilities within current assets (419 million yen) classified within liabilities under Japanese GAAP are classified in full as non-current assets under IFRS.

N Deferred income

(Presentation and reclassification)

Deferred income is classified under Japanese GAAP as advance received (8,841 million yen) or long-term deferred income (5,265 million yen); however, in order to appropriately display the details of this accounting item, it is displayed as (current/ non-current) under IFRS.

O Provisions (current)

(Presentation and reclassification)

Provision for bonuses (1,160 million yen) and asset retirement obligations (136 million yen) classified within current liabilities under Japanese GAAP are displayed within current provisions under IFRS.

P Other current liabilities

(Presentation and reclassification)

Accrued expenses (1,359 million yen) classified within current liabilities under Japanese GAAP are displayed within other current liabilities under IFRS

(Recognition and measurement reconciliation)

Leaves of absence not taken, which are not recognized under Japanese GAAP, are recognized under IFRS as liabilities (127 million yen), and are included within other current liabilities.

Q Other financial liabilities (current)

(Presentation and Reclassification)

Under Japanese GAAP lease obligations (783 million yen) were displayed within other current liabilities and accrued interest (297 million yen) were displayed within accrued expenses, but they are displayed within other current financial liabilities under IFRS.

R Loans (non-current)

(Recognition and measurement reconciliation)

Under Japanese GAAP, under hedge accounting, currency swaps were treated as appropriated, but under IFRS, they are treated using the cash flow hedge method. As a result, long-term debts are evaluated with the exchange rate at the balance sheet date for hedging purposes and have increased 1,315 million yen, presented as non-current borrowings

S Negative goodwill

(Recognition and measurement reconciliation)

Negative goodwill arising on or before March 31, 2010 is depreciated under Japanese GAAP for a certain period after recognition; however, since under IFRS it is required to recognize income in one go at the time of recognition, this has been retrospectively adjusted by being treated as income. Due to this adjustment, negative goodwill will decrease by 3,198 million yen and retained earnings will increase by the same amount.

T Provisions (non-current)

(Presentation and reclassification)

Asset retirement obligations (82 million yen) classified within fixed liabilities under Japanese GAAP are displayed within non-current provisions under IFRS.

U Other non-current liabilities

(Presentation and reclassification)

Provision for retirement benefits (196 million yen) classified within fixed liabilities under Japanese GAAP are displayed included within other non-current liabilities as liabilities related to retirement benefits.

V Other financial liabilities (non-current)

(Presentation and reclassification)

Long-term lease obligations (483 million yen) included in other of noncurrent liabilities under Japanese GAAP are displayed included in other financial liabilities (non-current) under IFRS.

(Recognition and Measurement Reconciliation)

The conditional price of subsidiary stock obtained in the fiscal year ended December 2012 is measured and recorded by fair value of the date of acquisition as a financial liability based on IFRS, and re-measurement will be done at the end of the term.

W Retained earnings

(Recognition and measurement reconciliation)

The impact on retained earnings of applying IFRS is as follows.

	Prior consolidated accounting year Dec 31, 2012
	Million yen
Property, plant and equipment (See Note E)	891
Non-amortization of Goodwill (See Note F)	3,990
Negative goodwill release (See Note S)	2,619
Remeasurement at fair value of contingent consideration (See Note V)	380
Stock delivery expenses (See *1)	325
Share-based compensation (See Note X)	(337)
Exchange differences on translating foreign currencies (See Note X)	(17,729)
Foreign currency denominated exchange rate (*2)	(408)
Changes in the scope of consolidation (*3)	(600)
Other	3
Total adjustment to retained earnings	(10,866)

(*) 1. Stock delivery expense arose when shares were issued prior to the transfer date, and on the transfer date, 321 million yen was adjusted by the recognition method under IFRS.

2. The average foreign currency denominated exchange rate within the period was used based on the cumulative period from the commencement of each consolidated financial year up to the report date under Japanese GAAP; however, the rate was changed to be the average rate within the period based on the accounting period from the beginning of the period to the given reporting date accompanying the move to IFRS. Due to this change, retained earnings were reduced.

3. The consolidation scope changed accompanying the move to IFRS. Due to this change, retained earnings were reduced.

X Other components of capital

(Presentation and reclassification)

Under Japanese GAAP, Subscription rights to shares (787 million yen), translation adjustments (1,409 million yen), and unrealized losses (-9,551 million yen) on available-for-sale securities are each categorized separately; however, under IFRS, they are all included within other equity interest.

(Recognition and measurement reconciliation)

The balance of translation adjustments (-17,712 million yen) included within accumulated other comprehensive income was transferred to retained earnings on the day of moving to IFRS.

Under Japanese GAAP, stock options issued when the company was not listed are treated based on estimates of intrinsic value per stock option unit fair value of stock options. Under IFRS, exemption rules under IFRS 1 — “First-time Adoption” are applied, and unvested stock options as of the date of moving to IFRS are treated based on the fair value as of the date of moving to IFRS.

Under Japanese GAAP, under hedge accounting, currency swaps were treated as extraordinary and interest rate swaps were treated as appropriated, but under IFRS, they are treated using the cash flow hedge method, As a result, other comprehensive income increased 184 million yen.

4) Reconciliation of comprehensive income for the three months ended Mar 31, 2012 (Million yen)

Japanese GAAP	Japanese GAAP	Reconciliation of Presentation Items	Reconciliation in Recognition and Measurement	IFRS	Note	IFRS
Net sales	30,377	-	-	30,377		Revenue
Cost of sales	(4,410)	-	5	(4,405)	A	Cost of sales
Gross profit	25,967	-	5	25,972		Gross profit
Selling, general and administrative expenses	(8,582)	-	551	(8,031)	A,B	Selling, general and administrative expenses
	-	78	0	78	C	Other income
	-	(1,239)	(20)	(1,259)	D	Other expenses
Operating profit	17,385	(1,161)	536	16,760		Operating income
Non-operating income	1,808	(1,577)	(231)	-	C	
Non-operating expenses	(1,515)	1,515	-	-		
Extraordinary income	3	(3)	-	-		
Extraordinary loss	(1,178)	1,178	-	-		
	-	1,501	(0)	1,501	E	Financial income
	-	(138)	(26)	(164)	F	Financial costs
	-	(1,315)	356	(959)	G	Equity in losses of affiliates
Income before income taxes and minority interests	16,503	-	635	17,138		Income before income tax
Income taxes	(4,196)	-	(49)	(4,245)	H	Income tax expense
Income before minority interests	12,307	-	586	12,893		Net income
Other Comprehensive income						Other comprehensive income
						Items that will not be reclassified subsequently to net income or loss
Valuation difference on available-for-sale securities	(419)	(121)	3	(537)		Other comprehensive income, before tax, gains (losses) on revaluation
	-	(0)	-	(0)		Other comprehensive income under equity method
	-	121	(3)	118		Income tax relating to items that will not be reclassified subsequently
	(419)	(0)	-	(419)		Total items that will not be reclassified to net income
						Items that may be reclassified subsequently to net income or loss
Foreign currency translation adjustment	5,800	-	1,137	6,937	I	Exchange differences on translating foreign operations
Share of other comprehensive income of associates accounted for using equity method	545	0	(572)	(27)	J	Share of other comprehensive income of associates and joint ventures accounted for using equity method, before tax

	6,345	0	565	6,910	Total items that may be reclassified subsequently to net income or loss
Total other comprehensive income	5,926	—	565	6,491	Other comprehensive income for the period, net of income tax
Comprehensive income	18,233	-	1,151	19,384	Total comprehensive income for the period

Notes related to comprehensive income reconciliation

The main contents of reconciliation are as follows.

A Cost of sales

(Recognition and measurement reconciliation)

Under Japanese GAAP, the declining-balance method is mainly employed for depreciation (excluding lease assets); however, the fixed-amount method has been employed under IFRS after reviewing the depreciation method and depreciation. As a result, amortization expenses have fluctuated.

B Selling, general and administrative expenses

(Recognition and measurement reconciliation)

Leaves of absence not taken, which are not recognized under Japanese GAAP, are recognized under IFRS as liabilities, and the corresponding cost has been considered.

Under Japanese GAAP, stock options issued when the company was not listed are treated based on estimates of intrinsic value per stock option unit fair value of stock options. Meanwhile, under IFRS, exemption rules under IFRS 1 — "First-time Adoption" are applied, and unvested stock options as of the date of moving to IFRS are treated based on the fair value as of the date of moving to IFRS. Due to this, selling costs and general administrative costs increased by 38 million yen.

Under Japanese GAAP, goodwill was accounted for as an asset, and assets were regularly amortized during the period of usefulness of the asset of up to 20 years (recorded as 592 million yen for the previous first quarter consolidated accounting period). However, goodwill is not amortized under IFRS.

C Other income

(Recognition and measurement reconciliation)

Under Japanese GAAP, which was used until now, negative goodwill was accounted for in the consolidated balance sheet and regularly amortized in each period (recorded as 231 million yen for the same period as above); however, under IFRS, this is immediately recognized as a net profit/loss.

Under Japanese GAAP, changes in the equity of subsidiaries which do not accompany a loss of control (additional acquisition transactions/partial sale transactions) are treated as external transactions, and goodwill and profit/loss are adjusted. Since they are treated as capital transactions under IFRS, goodwill and profit/loss are not adjusted but the capital surplus is changed.

D Other expenses

(Presentation and reclassification)

Under Japanese GAAP impairment losses and others are displayed separately as extraordinary losses (recorded as 1,164 million yen for the same period as above); however, under IFRS they are displayed as other expenses.

E Financial income

(Presentation and reclassification)

Under Japanese GAAP, received interest (recorded as 352 million yen for the same period as above), gain on foreign exchange (recorded as 914 million yen for the same period as above), reversal of allowance for doubtful accounts which was included in miscellaneous income (recorded as 228 million yen for the same period as above), and others are displayed separately in non-operating income; however, they are displayed in financial income under IFRS.

F Financial expenses

(Presentation and reclassification)

Under Japanese GAAP, paid interest (recorded as 132 million yen for the same period as above) and other amounts are displayed separately in non-operating expenses; however, under IFRS they are displayed in financial costs.

(Recognition and Measurement Reconciliation)

In principle, loans payable are measured based on the amount of credit under Japanese GAAP; however, under IFRS they are measured based on depreciated original value using effective interest rate method.

G Equity in losses of affiliates

(Presentation and reclassification)

Under Japanese GAAP losses on changes in equity (recorded as 1,315 million yen loss for the previous 1st quarter consolidated accounting period) are presented separately within non-operating expenses; however, under IFRS, they are presented as equity investment losses.

(Recognition and measurement reconciliation)
Under Japanese GAAP, goodwill arising after the application of the equity method is regularly amortized in each period; however, under IFRS, the relevant goodwill is not amortized. Due to this, investment loss using the equity method was 356 million yen.

H Income tax expense
(Recognition and measurement reconciliation)
Under Japanese GAAP some subsidiaries calculate income taxes in the same way as the annual method. Therefore, corporate income tax is calculated employing a convenient method using the estimated average annual effective tax rate at these companies based on IFRS. Due to this calculation, income tax expense has changed.

I Conversion reconciliation of foreign operations
(Recognition and measurement reconciliation)
The currency reconciliation for investments in foreign affiliates and overseas subsidiaries (1,137 million yen) occurred due to cumulative conversion differences for adjustment after the date of transition to IFRS.

L Other comprehensive income under equity method
(Recognition and measurement reconciliation)
With regard to the foreign currency translation accounts that arise when the equity method is applied due to conversion for companies applicable under the equity method, which are overseas organizations, the entire balance was transferred and treated as earned surplus on the IFRS transition date, reducing it by 572 million yen.

5) Important adjustments to the cash flow statement for the first three months ended March 31, 2012
There are no significant differences between the cash flow statements displayed based on IFRS and that displayed based on Japanese GAAP.

6) Reconciliation of comprehensive income for the prior year ended December 31, 2012

(from January 1, 2012 to December 31, 2012) (Millions of yen)

Japanese GAAP	Japanese GAAP	Reconciliation of Presentation Items	Reconciliation in Recognition and Measurement	IFRS	Note	IFRS
Net sales	108,448	-	(55)	108,393	I	Revenue
Cost of sales	(18,551)	-	(51)	(18,602)	A,I	Cost of sales
Gross profit	89,897	-	(106)	89,791		Gross profit
Selling, general and administrative expenses	(42,022)	-	2,949	(39,073)	A,B,I	Selling, general and administrative expenses
	-	968	376	1,344	C,I	Other income
	-	(4,384)	(411)	(4,795)	D,I	Other expenses
Operating profit	47,875	(3,416)	2,808	47,267		Operating income
Non-operating income	3,851	(2,917)	(934)	-	C,E	
Non-operating expenses	(7,184)	7,150	34	-	D,F,G	
Extraordinary income	285	(285)	-	-		
Extraordinary loss	(4,210)	4,210	-	-	D	
	-	2,233	1	2,234	E,I	Financial income
	-	(1,177)	(223)	(1,400)	F,I	Financial expenses
	-	(5,798)	1,021	(4,777)	G,I	Equity in losses of affiliates
Income before income taxes and minority interests	40,617	-	2,707	43,324		Income before income tax
Total income taxes	(15,286)	-	121	(15,165)	H,I	Income taxes
Income before minority interests	25,331	-	2,828	28,159		Profit for the quarter
Other Comprehensive income						Other comprehensive income
						Items that will not be reclassified subsequently to net income or loss
Valuation difference on available-for-sale securities	(10,022)	(6,008)	(30)	(16,060)		Other comprehensive income, before tax, gains (losses) on revaluation
	—	—	8	8		Re-measurement of defined benefit pension plans
	—	(0)	5	5		Share of other comprehensive income of associates and joint ventures accounted for using equity method, before tax
	—	6,008	6	6,014		Income tax relating to items that will not be reclassified subsequently
	(10,022)	—	(11)	(10,033)		Total items that will not be reclassified subsequently to net income
						Items that may be reclassified subsequently to net income or loss

Foreign currency translation adjustment	18,154	(58)	2,994	21,090	J	Exchange differences on translating foreign operations
	-	-	(297)	(297)	K	Cash flow hedges
Share of other comprehensive income of associates accounted for using equity method	967	-	(1,030)	(63)	L	Share of other comprehensive income of associates and joint ventures accounted for using equity method, before tax
	—	58	113	171		Income tax relating to items that may be reclassified subsequently
	19,121	—	1,780	20,901		Total items that may be reclassified subsequently to net income or loss
Total other comprehensive income	9,099	—	1,769	10,868		Other comprehensive income for the period, net of income tax
Comprehensive income for the quarter	34,430	—	4,597	39,027		Total comprehensive income for the period

Notes related to comprehensive income reconciliation
The main contents of the reconciliation are as follows.
A Cost of sales
(Recognition and measurement reconciliation)
Under Japanese GAAP, the declining-balance method is mainly employed for depreciation (excluding lease assets); however, the fixed-amount method has been employed under IFRS after reviewing the depreciation method and depreciation. As a result, amortization expenses have fluctuated.

B Selling, general and administrative expenses
(Recognition and measurement reconciliation)
Leaves of absence not taken, which are not recognized under Japanese GAAP, are recognized under IFRS as liabilities, and the corresponding cost has been considered.
Under Japanese GAAP, stock options issued when the company was not listed are treated based on estimates of intrinsic value per stock option unit fair value of stock options. Meanwhile, under IFRS, exemption rules under IFRS 1 — "First-time Adoption" are applied, and unvested stock options as of the IFRS transfer date are treated based on the fair value as of the date of moving to IFRS. Due to this, sales, general and administrative expense will increase by 144 million yen.

Under Japanese GAAP, goodwill was accounted for as an asset, and assets were regularly amortized during the period of usefulness of the asset of up to 20 years (recorded as 3,245 million yen for the prior consolidated accounting term). However, goodwill is not amortized under IFRS.

C Other income
(Recognition and measurement reconciliation)
Under IFRS, the Company estimates the fair value recorded as a financial liability contingent consideration at the date of acquisition. As the result of a re-measurement at the balance sheet date, the fair value of liabilities fluctuated 380 million yen.

Under Japanese GAAP, which was used until now, negative goodwill was accounted for in the consolidated balance sheet and regularly amortized (934 million yen for the same period as above) in each period; however, under IFRS, this is immediately recognized as a net profit/loss.

Under Japanese GAAP, changes in the equity of subsidiaries which do not accompany a loss of control (additional acquisition transactions/partial sale transactions) are treated as external transactions, and goodwill and profit/loss are adjusted. Since they are treated as capital transactions under IFRS, goodwill and profit/loss are not adjusted but the capital surplus is changed.

D Other expenses
(Presentation and reclassification)
Miscellaneous expenses (recorded as 290 million yen for the same period as above) which had been presented within non-operating expenses, loss on sale of fixed assets (recorded as 120 million for the same period as above), impairment loss (recorded as 3,803 million yen for the same period as above) and other expenses (recorded as 266 million yen for the same period as above) which had been presented separately in extraordinary loss under Japanese GAAP are displayed as other expenses under IFRS.
(Recognition and measurement reconciliation)
Under Japanese GAAP, the Company had recorded an impairment loss for amortization of goodwill and marked to book value; however, goodwill is not amortized under IFRS and impairment loss has increased 258 million yen.

E Financial income
(Presentation and reclassification)
Under Japanese GAAP, received interest (recorded as 1,596 million yen for the same period as above) and reversal of allowance for doubtful receivables (recorded as 410 million yen for the same period as above) were displayed separately in non-operating income, and affiliates gain on the sale of shares (recorded as 180 million for the same period as above), was stated separately in extraordinary income; however, they are displayed in financial income under IFRS.

F Financial expenses

(Presentation and reclassification)

Under Japanese GAAP, paid interest (recorded as 716 million yen for the same period as above), foreign exchange losses (recorded as 376 million yen for the same period as above) and other amounts are displayed in non-operating expenses; however, under IFRS they are displayed in financial expenses.

(Recognition and measurement reconciliation)

In principle, loans payable are measured based on the amount of credit under Japanese GAAP; however, under IFRS they are measured based on depreciated original value using effective interest rate method.

G Equity in losses of affiliates

(Presentation and reclassification)

Under Japanese GAAP Equity in earnings of affiliated companies (recorded as 5,798 million yen for the prior consolidated accounting term) are displayed separately within non-operating income or non-operating expenses; however, under IFRS, they are displayed in equity investment gains (losses).

(Recognition and measurement reconciliation)

Under Japanese GAAP, goodwill arising after the application of the equity method is regularly amortized in each period; however, under IFRS, the relevant goodwill is not amortized. Due to this, investment loss using the equity method will decrease by 1,151 million yen.

H Income tax expense

(Recognition and measurement reconciliation)

Temporary differences generated by the adjustment of other items on the Statement of Financial Position are given consideration under IFRS, and in line with deferred tax liabilities and the recording of deferred tax liabilities, income taxes have decreased.

I Converting income and losses at foreign operations

(Recognition and measurement reconciliation)

The average exchange rate for converting the currency to one to be used for displaying profit and loss items at overseas sales organizations was used within the cumulative period from the commencement of each consolidated financial year up to the report date under Japanese GAAP; however, under IFRS, average rate values are used for each quarterly consolidated accounting period.

J Conversion reconciliation of foreign operations

(Recognition and measurement reconciliation)

The currency reconciliation for investments in foreign affiliates and overseas subsidiaries (2,994 million yen) occurred due to cumulative conversion differences for adjustment after the date of transition to IFRS.

K Cash Flow Hedging

(Recognition and measurement reconciliation)

Under Japanese GAAP, under hedge accounting, currency swaps were treated as extraordinary and interest rate swaps were treated as appropriated, but under IFRS, they are treated using the cash flow hedge method. Due to this, other comprehensive income will decrease by 297 million yen.

L Other comprehensive income under equity method

(Recognition and measurement reconciliation)

With regard to the foreign currency translation accounts that arise when the equity method is applied due to conversion for companies applicable under the equity method, which are overseas organizations, the entire balance was transferred and treated as earned surplus on the IFRS transition date, reducing it by 1,030 million yen.

7) Important adjustments to the cash flow statement for the prior consolidated fiscal year, ended December 31, 2012

There are no significant differences between the consolidated cash flow statements displayed based on IFRS and consolidated cash flow statements displayed based on Japanese GAAP.

(10) Notes on significant changes in the amount of equity attributable to owners of parent

Not applicable.