



mercari

Consolidated Financial Results for the Fiscal Year Ended June 30, 2021 [Japanese GAAP]

August 12, 2021

Company name: Mercari, Inc.

Stock exchange listing: Tokyo Stock Exchange

Code number: 4385

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

Representative: Shintaro Yamada, Chief Executive Officer

Contact: Jun Yokota, SVP Corporate

Phone: +81-3-6804-6907

Scheduled date of annual general meeting of shareholders: September 29, 2021

Scheduled date of filing annual securities report: September 29, 2021

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on annual financial results: Available

Schedule of annual financial results briefing session: Scheduled (for institutional investors and securities analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended June 30, 2021 (the "Period")

(July 1, 2020 to June 30, 2021)

(1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Net profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
June 30, 2021	106,115	39.1	5,184	-	4,975	-	5,720	-
June 30, 2020	76,275	47.6	(19,308)	-	(19,391)	-	(22,772)	-

(Note) Comprehensive income: Fiscal year ended June 30, 2021: ¥1,699 million [-%]

Fiscal year ended June 30, 2020: ¥ (18,981) million [-%]

	Basic earnings per share	Diluted earnings per share	Return on shareholders' equity	Ordinary profit to total assets	Operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
June 30, 2021	36.43	35.15	15.5	2.2	4.9
June 30, 2020	(147.86)	-	(53.1)	(10.7)	(25.3)

(Reference) Share of loss (profit) of entities accounted for using equity method:

Fiscal year ended June 30, 2021: ¥ - million

Fiscal year ended June 30, 2020: ¥ - million

(Note) Information on diluted earnings per share for the fiscal year ended June 30, 2020 is omitted since, although potential shares did exist, the recorded figure was a basic loss per share.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2021	262,529	40,013	14.9	247.52
As of June 30, 2020	198,014	35,368	17.6	222.78

(Reference) Equity: As of June 30, 2021: ¥39,060 million

As of June 30, 2020: ¥34,786 million

English Translation

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

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
June 30, 2021	3,367	6,907	19,773	171,463
June 30, 2020	12,533	(2,653)	465	141,008

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
June 30, 2020	-	0.00	-	0.00	0.00	-	-	-
June 30, 2021	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending June 30, 2022 (Forecast)	-	-	-	-	-		-	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2022 (July 1, 2021 to June 30, 2022)

The consolidated financial results forecast for the next fiscal year is not stated because it is difficult to reasonably estimate a forecast of the financial results. Details concerning the reasons thereof are stated in “1. Overview of Operating Results, etc. (4) Future Outlook” on page 4 of the Appendix.

English Translation

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*** Notes:**

- (1) Changes in significant subsidiaries during the Period (changes in specified subsidiaries resulting in changes in scope of consolidation): No
- (2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
- 1) Changes in accounting policies due to revision of accounting standards: No
 - 2) Changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Retrospective restatement: No
- (3) Total number of issued shares (common stock)
- 1) Total number of issued shares at the end of the Period (including treasury stock):
 - June 30, 2021: 157,807,344 shares
 - June 30, 2020: 156,150,364 shares
 - 2) Total number of treasury stock at the end of the Period:
 - June 30, 2021: 2 shares
 - June 30, 2020: 2 shares
 - 3) Average number of shares during the Period:
 - Fiscal year ended June 30, 2021: 157,042,604 shares
 - Fiscal year ended June 30, 2020: 154,017,730 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended June 30, 2021 (July 1, 2020 to June 30, 2021)

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

	Net sales		Operating profit		Ordinary profit		Net profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
June 30, 2021	75,152	27.9	15,675	34.5	15,426	33.6	7,926	-
June 30, 2020	58,744	27.0	11,655	63.3	11,550	62.9	(28,014)	-

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended		
June 30, 2021	50.48	48.71
June 30, 2020	(181.89)	-

(Note) Information on diluted earnings per share for the fiscal year ended June 30, 2020, is omitted since, although potential shares did exist, the recorded figure was a basic loss per share.

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2021	119,376	45,760	37.9	286.39
As of June 30, 2020	104,683	38,884	37.1	249.02

(Reference) Equity: As of June 30, 2021: ¥45,194 million

As of June 30, 2020: ¥38,884 million

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

* The forward-looking statements, including the financial results forecast, contained in these materials are based on information currently available to the Company and certain assumptions deemed reasonable by the Company. As such, they do not constitute guarantees by the Company of future performance.

English Translation

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Period

The Company and its group companies (collectively, the “Group”) have been working to realize the Group mission to create value in a global marketplace where anyone can buy & sell. In the fiscal year ended June 30, 2021, the Group continued to work toward this goal, aiming to provide services that are loved by a wide range of people while strengthening the safety and increasing the convenience of those services. The Group had temporarily curtailed its investment given circumstances posed by the novel coronavirus disease (COVID-19) pandemic, but subsequently resumed investment beginning in the latter half of the second quarter after taking into considerations that include user trends with respect to services the Company provides. The Group has been taking a disciplined approach to undertaking investment that will bring about growth going forward, with a focus on marketing initiatives. As a result, the *Mercari* Japan business and the *Mercari* US business have achieved substantial growth in terms of gross merchandise volume (GMV), and the Group has attained steady improvement in earnings potential among its three mainstay businesses: the *Mercari* Japan business, the *Mercari* US business, and the *Merpay* business. This has culminated in the first ever consolidated operating profit for the full fiscal year since the Company was founded. In addition, the Group established Souzoh, Inc. and Mercoin, Inc., subsidiaries that have been working on new businesses, during the fiscal year ended June 30, 2021, with the aim of achieving further growth and the Group mission. Going forward, the Group will seek sustainable growth and maximization of future profits, which will involve making investment that prioritizes growth while flexibly reviewing specifics based on the operating environment with respect to its existing businesses and creating businesses that fully leverage Group synergies with respect to its new businesses.

In the mainstay *Mercari* Japan business, the Group has been continuing to strengthen listings in pursuit of medium- to long-term growth and has furthermore taken action that involves improving the product, improving convenience particularly in terms of packaging and shipping, and increasing the number of monthly active users (MAU ^(Note 1)) through marketing initiatives. As a result, *Mercari*’s GMV in Japan for the fiscal year ended June 30, 2021, was ¥784.5 billion, an increase of ¥158.6 billion from the previous fiscal year, and MAU increased to 19.54 million.

With respect to the *Merpay* business and its mobile payment services, the Group has been working to strengthen earnings potential mainly in the credit area. The *Merpay Smart Payments (fixed-amount payment)* service, a strategic priority, achieved steady gains in its number of users and account balances, and the number of *Merpay* users reached 10.67 million ^(Note 2). Plans for *Merpay* involve providing new features and services going forward in the three areas of payment, credit, and *Growing Wallet* services. As part of these efforts, the Group will promote the important function of identity verification and will furthermore take steps to build a safe and secure user environment that employs anti-fraud measures.

For the *Mercari* US business, the Group has achieved substantial growth by increasing brand recognition and capturing new users, mainly through marketing initiatives, and optimizing listing and delivery. This was done as part of the “*Mercari: Your Marketplace*” initiative, which aims to generate expansion and growth of the *Mercari* marketplace services that make selling a variety of items easier and safer for everyone. As a result, the GMV of *Mercari* in the US for the fiscal year ended June 30, 2021, was ¥123.8 billion (the exchange rate conversion is calculated using the average rate during the Period, ¥106.53 against the US dollar), up ¥50.1 billion from the previous fiscal year, and MAU ^(Note 1) increased to 4.61 million. In addition, the Group achieved a quarterly operating profit for the first time ever as a result of having improved its earnings base by initiating collection of payment processing fees as well as selling fees during the fiscal year ended June 30, 2021.

As a result, for the fiscal year ended June 30, 2021, the Group recorded net sales of ¥106,115 million (39.1% increase year on year), operating profit of ¥5,184 million (compared to operating loss of ¥19,308 million in the previous fiscal year), ordinary profit of ¥4,975 million (compared to ordinary loss of ¥19,391 million in the previous fiscal year), and net profit attributable to owners of parent of ¥5,720 million (compared to net loss attributable to owners of parent of ¥22,772 million in the previous fiscal year).

Information by business segment is omitted as the Group operates a single segment—i.e., the marketplace business.

(Note 1) MAU (Monthly Active Users) is defined as the quarterly average number of registered users who accessed the *Mercari* service via app or website at least once during a given month.

(Note 2) Total of the number of users registered for *Merpay Electronic Money* and users of *QR Code Payments*, *Online Payments*, and *Merpay Smart Payments (lump-sum payment and fixed-amount payment)* as of June 30, 2021 (excluding overlaps)

(2) Overview of Financial Position for the Period

(Assets)

Total assets at the end of the current fiscal year increased by ¥64,515 million from the end of the previous fiscal year to ¥262,529 million.

The main reasons for increases and decreases are as follows.

- The main reasons for increases and decreases in cash on hand and in banks are outlined in Overview of Cash Flows for the Period.
- Other receivables increased by ¥31,388 million compared to the end of the previous fiscal year, primarily due to an increase in use of *Merpay Smart Payments (lump-sum payment and fixed-amount payment)*.
- Securities decreased by ¥5,260 million from the end of the previous fiscal year following the redemption of financial instruments held by the Group.
- Investment securities decreased by ¥5,665 million from the end of the previous fiscal year, primarily due to the sale of shares held by the Group.
- Guarantee deposits increased by ¥10,168 million from the end of the previous fiscal year, primarily due to deposits paid based on laws and regulations accompanying the increase in the amounts spent on *Mercari* and *Merpay*.

(Liabilities)

Total liabilities at the end of the current fiscal year increased by ¥59,871 million from the end of the previous fiscal year to ¥222,516 million.

The main reasons for increases and decreases are as follows.

- Short-term borrowings increased by ¥19,602 million from the end of the previous fiscal year, primarily due to the liquidation of receivables for lump-sum payments and fixed-amount payments.
- Income taxes payable increased by ¥4,712 million from the end of the previous fiscal year, primarily due to an increase in net profit before income taxes.
- Deposits received increased by ¥33,145 million from the end of the previous fiscal year, primarily due to the increase in the amounts spent on *Mercari* and *Merpay*.

(Net assets)

Net assets at the end of the current fiscal year increased by ¥4,644 million from the end of the previous fiscal year to ¥40,013 million.

The main reasons for increases and decreases are as follows.

- Capital stock increased by ¥1,189 million from the end of the previous fiscal year following the issuance of new shares.
- Capital surplus increased by ¥1,189 million from the end of the previous fiscal year following the issuance of new shares.
- Retained earnings increased by ¥5,720 million from the end of the previous fiscal year due to the recording of net profit attributable to owners of parent.
- Valuation difference on available-for-sale securities decreased by ¥3,995 million from the end of the previous fiscal year, primarily due to the sale of shares held by the Group.

(3) Overview of Cash Flows for the Period

Cash and cash equivalents (hereinafter referred to as “cash”) for the current fiscal year increased by ¥30,454 million from the end of the previous fiscal year and amounted to ¥171,463 million at the end of the current fiscal year. Note that cash here includes cash on hand and in banks and securities.

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

(Cash flows from operating activities)

Cash provided by operating activities during the current fiscal year amounted to ¥3,367 million (compared to ¥12,533 million provided in the previous fiscal year). This is primarily attributable to ¥11,874 million in net profit before income taxes, adjusted by depreciation and amortization of ¥845 million, a gain on sales of investment securities of ¥6,942 million, an increase in allowance for doubtful accounts of ¥1,011 million, an increase in trade accounts receivable of ¥31,388 million, an increase in accounts payable of ¥1,531 million, a decrease in deposits paid of ¥3,466 million, an increase in deposits received of ¥32,908 million, and other—net of ¥3,006 million, and also an increase in guarantee deposits of ¥10,168 million and attributable to income taxes paid of ¥2,429 million.

(Cash flows from investing activities)

Cash provided by investing activities during the current fiscal year amounted to ¥6,907 million (compared to ¥2,653 million used in the previous fiscal year). This is primarily attributable to proceeds from sales of investment securities of ¥6,942 million.

(Cash flows from financing activities)

Cash provided by financing activities during the current fiscal year amounted to ¥19,773 million (compared to ¥465 million provided in the previous fiscal year). This is primarily attributable to change in short-term borrowings of ¥19,602 million.

(4) Future Outlook

In order to further enhance its corporate value, the Group intends to actively promote the *Mercari* US business and *Merpay* with *Mercari*'s stable and continuous growth in Japan. As opposed to the *Mercari* Japan business, which has a stable earnings base, the *Mercari* US business and *Merpay* are still in the investment phase, and these strategic investments make it difficult to forecast the consolidated financial results. Accordingly, the Company has not disclosed its earnings forecast. The Group will engage in management that emphasizes medium- to long-term business growth by conducting disciplined strategic investments.

In regard to the impact of the COVID-19 pandemic, it continues to be difficult to accurately predict factors such as the future spread of the disease and the timing of its abatement. When considering the outlook for future cash flow, future business environment, etc., as of now, it has been judged that although it will have a certain impact on the Company, the effects will be limited. Furthermore, it has been judged that there will be no serious effects on accounting estimates including impairment loss on non-current assets and the recoverability of deferred tax assets. However, as there is a possibility that changes in the situation will have an impact on consolidated financial statements, the Company will continue to watch developments carefully.

English Translation

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2. Basic Policy Regarding Selection of Accounting Standards

Taking into consideration the comparability of consolidated financial statements across periods and among companies, the Group's policy is to prepare its consolidated financial statements based on Japanese GAAP for the time being.

Regarding the timing of application of International Financial Reporting Standards (IFRS), the Group's policy is to respond appropriately based on the situation in Japan and overseas.

English Translation

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3. Consolidated Financial Statements and Primary Notes**(1) Consolidated Balance Sheets**

(Millions of yen)

	As of June 30, 2020	As of June 30, 2021
Assets		
Current assets		
Cash on hand and in banks	135,747	171,463
Trade accounts receivable	1,119	2,413
Securities	5,260	-
Other receivable	15,612	47,001
Prepaid expenses	1,609	2,336
Deposits paid	9,718	6,251
Other current assets	1,614	876
Allowance for doubtful accounts	(1,404)	(2,416)
Total current assets	169,277	227,926
Non-current assets		
Property and equipment	2,905	2,623
Intangible assets	679	658
Investments and other assets		
Investment securities	5,881	215
Lease deposits	2,128	1,631
Deferred tax assets	108	2,362
Guarantee deposits	16,598	26,767
Other assets	435	344
Total investments and other assets	25,151	31,321
Total non-current assets	28,736	34,603
Total assets	198,014	262,529

English Translation

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(Millions of yen)

	As of June 30, 2020	As of June 30, 2021
Liabilities		
Current liabilities		
Short-term borrowings	-	19,602
Current portion of long-term borrowings	900	35,398
Accounts payable	16,206	17,775
Accrued expenses	861	1,147
Income taxes payable	1,427	6,140
Deposits received	83,954	117,099
Provision for bonuses	1,314	1,683
Provision for point certificates	522	802
Provision for share-based compensation	177	152
Other current liabilities	4,764	5,529
Total current liabilities	110,128	205,331
Non-current liabilities		
Long-term borrowings	51,547	16,148
Retirement benefit liability	75	92
Asset retirement obligations	126	126
Deferred tax liabilities	191	183
Other provisions	6	-
Other non-current liabilities	570	633
Total non-current liabilities	52,516	17,184
Total liabilities	162,645	222,516
Net assets		
Shareholders' equity		
Capital stock	41,440	42,630
Capital surplus	41,396	42,585
Retained earnings (Accumulated deficit)	(51,870)	(46,149)
Treasury stock	(0)	(0)
Total shareholders' equity	30,966	39,065
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,995	-
Foreign currency translation adjustments	(175)	(5)
Total accumulated other comprehensive income	3,819	(5)
Stock acquisition rights	-	566
Non-controlling interests	582	386
Total net assets	35,368	40,013
Total liabilities and net assets	198,014	262,529

English Translation

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(2) Consolidated Statements of Income and Comprehensive Income
(Consolidated Statements of Income)

(Millions of yen)

	For the fiscal year ended June 30, 2020	For the fiscal year ended June 30, 2021
Net sales	76,275	106,115
Cost of sales	20,661	24,312
Gross profit	55,613	81,802
Selling, general and administrative expenses	74,921	76,617
Operating profit (loss)	(19,308)	5,184
Non-operating income		
Interest income	116	30
Consumption taxes refund	7	27
Subsidy income	19	74
Other	68	45
Total non-operating income	211	177
Non-operating expenses		
Interest expense	248	232
Foreign exchange loss	31	31
Bond issuance costs	-	111
Other	15	11
Total non-operating expenses	295	387
Ordinary profit (loss)	(19,391)	4,975
Extraordinary income		
Gain on sales of investment securities	-	6,942
Other	-	65
Total extraordinary income	-	7,008
Extraordinary losses		
Impairment loss	922	-
Loss on devaluation of investment securities	204	109
Total extraordinary losses	1,127	109
Net profit (loss) before income taxes	(20,519)	11,874
Income taxes - current	2,317	6,981
Income taxes - deferred	123	(631)
Total income taxes	2,440	6,349
Net profit (loss)	(22,959)	5,524
Net loss attributable to non-controlling interests	(186)	(195)
Net profit (loss) attributable to owners of parent	(22,772)	5,720

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(Consolidated Statements of Comprehensive Income)**(Millions of yen)**

	For the fiscal year ended June 30, 2020	For the fiscal year ended June 30, 2021
Net profit (loss)	(22,959)	5,524
Other comprehensive income		
Valuation difference on available-for-sale securities	3,995	(3,995)
Foreign currency translation adjustments	(17)	170
Total other comprehensive income	3,978	(3,825)
Comprehensive income	(18,981)	1,699
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(18,794)	1,895
Comprehensive income attributable to non-controlling interests	(186)	(195)

English Translation

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(3) Consolidated Statements of Changes in Equity
For the fiscal year ended June 30, 2020

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings (Accumulated deficit)	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	40,110	40,089	(29,097)	(0)	51,102
Changes of items during the period					
Issuance of new shares	1,330	1,330			2,661
Net loss attributable to owners of parent			(22,772)		(22,772)
Purchase of shares of consolidated subsidiaries		(23)			(23)
Net changes of items other than shareholders' equity					
Total changes of items during the period	1,330	1,306	(22,772)	-	(20,135)
Balance at the end of current period	41,440	41,396	(51,870)	(0)	30,966

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Total accumulated other comprehensive income		
Balance at the beginning of current period	-	(165)	(165)	-	50,936
Changes of items during the period					
Issuance of new shares					2,661
Net loss attributable to owners of parent					(22,772)
Purchase of shares of consolidated subsidiaries					(23)
Net changes of items other than shareholders' equity	3,995	(10)	3,985	582	4,567
Total changes of items during the period	3,995	(10)	3,985	582	(15,567)
Balance at the end of current period	3,995	(175)	3,819	582	35,368

English Translation

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For the fiscal year ended June 30, 2021

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings (Accumulated deficit)	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	41,440	41,396	(51,870)	(0)	30,966
Changes of items during the period					
Issuance of new shares	1,189	1,189			2,378
Net profit attributable to owners of parent			5,720		5,720
Net changes of items other than shareholders' equity					
Total changes of items during the period	1,189	1,189	5,720	-	8,098
Balance at the end of current period	42,630	42,585	(46,149)	(0)	39,065

	Accumulated other comprehensive income			Stock acquisition rights	Non- controlling interests	Total net assets
	Valuation difference on available- for-sale securities	Foreign currency translation adjustments	Total accumulated other comprehensive income			
Balance at the beginning of current period	3,995	(175)	3,819	-	582	35,368
Changes of items during the period						
Issuance of new shares						2,378
Net profit attributable to owners of parent						5,720
Net changes of items other than shareholders' equity	(3,995)	170	(3,825)	566	(195)	(3,454)
Total changes of items during the period	(3,995)	170	(3,825)	566	(195)	4,644
Balance at the end of current period	-	(5)	(5)	566	386	40,013

English Translation

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(4) Consolidated Statements of Cash Flows

(Millions of yen)

	For the fiscal year ended June 30, 2020	For the fiscal year ended June 30, 2021
Cash flows from operating activities		
Net profit (loss) before income taxes	(20,519)	11,874
Depreciation and amortization	1,463	845
Amortization of goodwill	176	-
Impairment loss	922	-
Gain on sales of investment securities	-	(6,942)
Loss on devaluation of investment securities	204	109
Bond issuance costs	-	111
Change in allowance for doubtful accounts	309	1,011
Change in provision for point certificates	(346)	279
Change in provision for bonuses	641	368
Change in provision for share-based compensation	(727)	(24)
Interest income	(116)	(30)
Interest expense	248	232
Change in trade accounts receivable	577	(1,294)
Change in other receivable	137	(31,388)
Change in accounts payable	8,638	1,531
Change in deposits paid	(4,334)	3,466
Change in deposits received	37,695	32,908
Other—net	2,413	3,006
Subtotal	27,384	16,065
Interest income received	116	30
Interest expense paid	(248)	(232)
Change in guarantee deposits	(11,983)	(10,168)
Income taxes paid	(2,735)	(2,429)
Other—net	-	102
Net cash provided by (used in) operating activities	12,533	3,367
Cash flows from investing activities		
Purchase of investment securities	(109)	-
Proceeds from sales of investment securities	-	6,942
Purchase of property and equipment	(773)	(420)
Payments for lease deposits	(331)	-
Proceeds from refund of lease deposits	-	370
Purchase of subsidiaries' shares resulting in a change in scope of consolidation	(1,534)	-
Proceeds from sales of subsidiaries' shares resulting in a change in scope of consolidation	18	-
Other—net	75	14
Net cash provided by (used in) investing activities	(2,653)	6,907
Cash flows from financing activities		
Change in short-term borrowings	-	19,602
Proceeds from long-term borrowings	1,000	-
Repayments of long-term borrowings	(1,261)	(900)
Proceeds from issuance of common stock	973	835
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(246)	-
Other—net	-	236
Net cash provided by (used in) financing activities	465	19,773
Foreign currency translation adjustments on cash and cash equivalents	13	406
Change in cash and cash equivalents	10,358	30,454
Cash and cash equivalents at the beginning of period	130,774	141,008

English Translation

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Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(124)	-
Cash and cash equivalents at the end of period	141,008	171,463

English Translation

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(5) Notes to the Consolidated Financial Statements

Notes on going concern assumption

Not applicable.

Changes in presentation

Consolidated Statements of Income

“Consumption taxes refund,” which was included in “Other” under “Non-operating income” in the previous fiscal year, is separately presented because its monetary significance has increased. The consolidated statements of income of the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, ¥7 million that was presented in “Other” under “Non-operating income” in the consolidated statements of income of the previous fiscal year has been presented as “Consumption taxes refund” under “Non-operating income.”

“Subsidy income,” which was included in “Other” under “Non-operating income” in the previous fiscal year, is separately presented because its monetary significance has increased. The consolidated statements of income of the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, ¥19 million that was presented in “Other” under “Non-operating income” in the consolidated statements of income of the previous fiscal year has been presented as “Subsidy income” under “Non-operating income.”

Segment information, etc.

Segment information, etc. is omitted as the Group operates a single segment—i.e., the marketplace business.

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Per share information

	For the fiscal year ended June 30, 2020	For the fiscal year ended June 30, 2021
Net assets per share	¥222.78	¥247.52
Basic earnings (loss) per share	¥(147.86)	¥36.43
Diluted earnings per share	-	¥35.15

(Notes) 1. Information on diluted earnings per share for the fiscal year ended June 30, 2020 is omitted since, although potential shares did exist, the recorded figure was a basic loss per share.

2. The basis for the calculation of basic earnings (loss) per share and diluted earnings per share is as follows.

	For the fiscal year ended June 30, 2020	For the fiscal year ended June 30, 2021
Basic earnings (loss) per share		
Net profit (loss) attributable to owners of parent (Million yen)	(22,772)	5,720
Amount not attributable to common shareholders (Million yen)	-	-
Net profit (loss) attributable to owners of parent related to common stock (Million yen)	(22,772)	5,720
Average number of shares of common stock outstanding during the period (Shares)	154,017,730	157,042,604
Diluted earnings per share		
Increase in number of common stock (Shares)	-	5,691,838
Outline of potential common stock excluded from the computation of diluted earnings per share due to its non-dilutive effect	Number of stock acquisition rights: 1,798,300 Number of common stock: 6,952,150 Number of restricted stock units (RSU): 524,223 Number of common stock: 524,223	-

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Significant subsequent events

Issue of Zero Coupon Convertible Bonds

At the meeting of the board of directors held on June 28, 2021, the Company resolved to issue Zero Coupon Convertible Bonds (bonds with share acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*) due in 2026 (hereinafter in Section I below, “Bonds with Share Acquisition Rights,” with those instances referring only to bonds being “Bonds” and those instances referring only to share acquisition rights being “Share Acquisition Rights”) and Zero Coupon Convertible Bonds due in 2028 (hereinafter in Section II below, “Bonds with Share Acquisition Rights,” with those instances referring only to bonds being “Bonds” and those instances referring only to share acquisition rights being “Share Acquisition Rights”), and payment was completed on July 14, 2021. An overview of this issue is as follows.

I. Matters relating to the Zero Coupon Convertible Bonds due in 2026

- 1 Total amount of issue: ¥25.0 billion
- 2 Price of issue (paid-in amount): 100.0% of principal amount of the Bonds (principal amount of each Bond: ¥10 million)
- 3 Price of issue (offer price): 102.5% of principal amount of the Bonds
- 4 Interest rate: The Bonds do not bear interest.
- 5 Redemption amount: 100.0% of principal amount of the Bonds
- 6 Maturity: July 14, 2026 (London time, same applies below unless indicated otherwise)
- 7 Matters related to the Share Acquisition Rights

(1) Class of shares subject to the Share Acquisition Rights

Common stock of the Company (number of shares per share unit: 100 shares)

(2) Total number of Share Acquisition Rights to be issued

2,500

(3) Description and number of shares subject to the Share Acquisition Rights

The number of shares of the Company’s common stock granted upon exercise of the Share Acquisition Rights shall be the number resulting from the total principal amount of the Bonds involved in the exercise request divided by the conversion price listed in (4) below. However, any fractions of shares resulting from the exercise shall be discarded and no cash adjustment will be made.

(4) Amount to be paid upon exercise

(i) Upon the exercise of each Share Acquisition Right, the Bond associated with the Share Acquisition Right shall be contributed and the price for the Bond shall be equal to the principal amount of the Bond.

(ii) The conversion price shall be ¥9,346.

(iii) The conversion price shall be adjusted by means of the formula below in the event that the Company issues shares of common stock of the Company or disposes of shares of common stock of the Company in its possession at the paid-in amount which is below the fair value of the Company’s common stock after the Bonds with Share Acquisition Rights are issued. In the formula below, “Number of issued shares” shall mean the total number of issued shares of common stock of the Company (excluding those shares owned by the Company).

$$\text{Adjusted conversion price} = \text{Pre-adjustment conversion price} \times \frac{\text{Number of issued shares} + \frac{\text{Number of shares issued or to be disposed of} \times \text{Paid-in amount per share}}{\text{Fair values}}}{\text{Number of issued shares} + \text{Number of shares issued or to be disposed of}}$$

(5) Exercise period

The period shall be from July 28, 2021, to June 30, 2026 (local time at the location where exercise requests are received). Note, however, that certain stipulations in the issuance guidelines shall apply.

(6) Acquisition by the Company of Bonds

At any time during the period from, and including, February 14, 2026 to, and including, March 14, 2026, we may, but shall not be bound to, give Acquisition Election Notice to the Bondholders, in which event we shall acquire all of the bonds to which such conversion notice relates 35 days immediately following such Deposit Date for which falls after the Acquisition Election Notice and on or before May 19, 2026 in exchange

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for cash and the Company's common stock.

8 Payment date (issue date): July 14, 2021

9 Collateral and guarantee of the Bonds: The Bonds are issued without collateral or guarantee.

II. Matters relating to the Zero Coupon Convertible Bonds due in 2028

1 Total amount of issue: ¥25.0 billion

2 Price of issue (paid-in amount): 100.0% of principal amount of the Bonds (principal amount of each Bond: ¥10 million)

3 Price of issue (offer price): 102.5% of principal amount of the Bonds

4 Interest rate: The Bonds do not bear interest.

5 Redemption amount: 100.0% of principal amount of the Bonds

6 Maturity: July 14, 2028

7 Matters related to the Share Acquisition Rights

(1) Class of shares subject to the Share Acquisition Rights

Common stock of the Company (number of shares per share unit: 100 shares)

(2) Total number of Share Acquisition Rights to be issued

2,500

(3) Description and number of shares subject to the Share Acquisition Rights

The number of shares of the Company's common stock granted upon exercise of the Share Acquisition Rights shall be the number resulting from the total principal amount of the Bonds involved in the exercise request divided by the conversion price listed in (4) below. However, any fractions of shares resulting from the exercise shall be discarded and no cash adjustment will be made.

(4) Amount to be paid upon exercise

(i) Upon the exercise of each Share Acquisition Right, the Bond associated with the Share Acquisition Right shall be contributed and the price for the Bond shall be equal to the principal amount of the Bond.

(ii) The conversion price shall be ¥9,346.

(iii) The conversion price shall be adjusted by means of the formula below in the event that the Company issues shares of common stock of the Company or disposes of shares of common stock of the Company in its possession at the paid-in amount which is below the fair value of the Company's common stock after the Bonds with Share Acquisition Rights are issued. In the formula below, "Number of issued shares" shall mean the total number of issued shares of common stock of the Company (excluding those shares owned by the Company).

$$\text{Adjusted conversion price} = \text{Pre-adjustment conversion price} \times \frac{\text{Number of issued shares} + \frac{\text{Number of shares issued or to be disposed of} \times \text{Paid-in amount per share}}{\text{Fair values}}}{\text{Number of issued shares} + \text{Number of shares issued or to be disposed of}}$$

(5) Exercise period

The period shall be from July 28, 2021, to June 30, 2028 (local time at the location where exercise requests are received). Note, however, that certain stipulations in the issuance guidelines shall apply.

(6) Acquisition by the Company of Bonds

At any time during the period from, and including, February 14, 2028 to, and including, March 14, 2028, we may, but shall not be bound to, give Acquisition Election Notice to the Bondholders, in which event we shall acquire all of the bonds to which such conversion notice relates 35 days immediately following such Deposit Date for which falls after the Acquisition Election Notice and on or before May 19, 2028 in exchange for cash and the Company's common stock.

8 Payment date (issue date): July 14, 2021

9 Collateral and guarantee of the Bonds: The Bonds are issued without collateral or guarantee.

III. Use of funds

Approximately ¥50.0 billion of the proceeds from the issue of the Bonds with Share Acquisition Rights will be allocated by June 2024 to investment funds for accelerating growth in existing businesses and creating new

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business opportunities, and strengthening the financial base. Specifically, the Company has made a partial early lump-sum payment of the borrowings due in or before June 2022 and paid back ¥25.0 billion on July 20, 2021. Following verification of expected investment returns, the remaining amount will be allocated to the following based on the optimal investment ratio with consideration for the market environment, competition environment, and other factors.

- Approximately ¥10.0 billion to be used in recruiting personnel for product development in the *Mercari* US business, and for marketing expenses aimed at expanding the business
- Approximately ¥10.0 billion to be used as working capital and other matters primarily in the credit business as a result of expanding *Merpay* services
- Approximately ¥5.0 billion to be used as investment funds intended for the creation of new business opportunities