

# mercari



## Consolidated Financial Results for the Six Months Ended December 31, 2021 [Japanese GAAP]

February 3, 2022

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 filing quarterly securities report: February 10, 2022

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Scheduled

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

### 1. Consolidated Financial Results for the Six Months Ended December 31, 2021 (the "Period") (July 1, 2021 to December 31, 2021)

(1) Consolidated Operating Results (cumulative) (% 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	%
Six months ended								
December 31, 2021	71,191	47.7	(1,774)	-	(1,797)	-	(2,728)	-
December 31, 2020	48,213	46.1	1,370	-	1,190	-	4,111	-

(Note) Comprehensive income: Six months ended December 31, 2021: ¥(2,509) million [-%]  
Six months ended December 31, 2020: ¥(380) million [-%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
December 31, 2021	(17.11)	-
December 31, 2020	26.25	25.26

- (Notes) 1. The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) from the beginning of the fiscal year (July 1, 2021). All figures for the six months ended December 31, 2021, reflect the application of this accounting standard.
2. Information on diluted earnings per share for the six months ended December 31, 2021, is omitted since, although potential shares did exist, the recorded figure was a basic loss per share.

**English Translation**

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**(2) Consolidated Financial Position**

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2021	327,010	40,571	12.0
As of June 30, 2021	262,529	40,013	14.9

(Reference) Equity: As of December 31, 2021 ¥39,221 million

As of June 30, 2021 ¥39,060 million

(Note) The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) from the beginning of the fiscal year (July 1, 2021). All figures as of December 31, 2021, reflect the application of this accounting standard.

**2. Dividends**

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended June 30, 2021	-	0.00	-	0.00	0.00
Fiscal year ending June 30, 2022	-	0.00			
Fiscal year ending June 30, 2022 (Forecast)			-	-	-

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

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

The consolidated financial results forecast for the current 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. Qualitative Information Regarding Results for the Period (4) Explanation of Consolidated Financial Results Forecasts and Other Forward-looking Statements” on page 4 of the Appendix.

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### \* Notes:

- (1) Changes in significant subsidiaries during the Period (changes in specified subsidiaries resulting in changes in scope of consolidation): No
- (2) Application of special accounting treatments for preparing the quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
  - 1) Changes in accounting policies due to revision of accounting standards: Yes
  - 2) Changes in accounting policies other than 1) above: No
  - 3) Changes in accounting estimates: No
  - 4) Retrospective restatement: No
- (4) Total number of issued shares (common stock)
  - 1) Total number of issued shares at the end of the Period (including treasury stock):

December 31, 2021:	159,968,375 shares
June 30, 2021:	157,807,344 shares
  - 2) Total number of treasury stock at the end of the Period:

December 31, 2021:	2 shares
June 30, 2021:	2 shares
  - 3) Average number of shares during the Period:

Six months ended December 31, 2021:	159,460,066 shares
Six months ended December 31, 2020:	156,596,395 shares

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

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

The consolidated financial results forecast for the current 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. Qualitative Information Regarding Results for the Period (4) Explanation of Consolidated Financial Results Forecasts and Other Forward-looking Statements” on page 4 of the Appendix.

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## 1. Qualitative Information Regarding Results for the Period

### (1) Explanation of Operating Results

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. The Group continued to work toward this goal, focusing on creating further growth opportunities for the Group by promoting the development of new domains in Japan and overseas, such as Souzoh, Mercari, and global expansion, while continuing to grow and strengthen its three pillars. Effective January 1, 2022, the Group has transitioned to a new management execution structure to promote the acceleration of business development globally and the creation of synergy between businesses that the Group operates in Japan.

Furthermore, through business activities that have a positive impact on the environment and the world, the Group aims to use the planet’s limited resources carefully and build a world where anyone can create value. This year, the Group is also tackling climate change mitigation and D&I as particularly important areas of focus. In order to further promote ESG across the entire Group, Mercari announced the establishment of the ESG Committee, which will function as an advisory body for the Senior Executive Committee. By placing Shintaro Yamada, CEO as the chairperson of the ESG Committee, and appointing ESG officers for each company, the Group will be able to simultaneously promote both business and ESG.

In the mainstay Mercari Japan business, the Group focused on providing services that users from a broad spectrum of age demographics can use easily and safely by strengthening such things as personalization features and the web version of *Mercari*. As a result, Mercari Japan’s gross merchandise volume (GMV) for the six months ended December 31, 2021, was ¥430.2 billion, an increase of ¥62.6 billion from the corresponding period of the previous fiscal year, and the number of monthly active users (MAU<sup>(Note 1)</sup>) increased to 20.45 million. Additionally, as a first step toward entering the non-fungible token (NFT) business, the Group has joined forces with Pacific League Marketing Corporation to begin providing *Pacific League Exciting Moments*<sup>β</sup>, which allows users to purchase video content.

In addition, in order to pursue the continuous growth of *Mercari*, the Group established Merlogi, Inc. as a subsidiary of Mercari on October 28, 2021, and launched a new logistics-related business through this subsidiary to build sustainable shipping operations, to improve user experience in shipping, and to reduce the environmental impact.

In the Souzoh business, the Group launched the full rollout of *Mercari Shops* on October 7, 2021. Even with limited features on offer, aggressive marketing measures carried out in the six months ended December 31, 2021, contributed to future growth and led to strong performance, such as a steady increase in store openings, product listings, and other KPIs.

With respect to the MeroPay business and its mobile payment services, the Group has been working to strengthen earnings potential mainly in the credit area, which leverages AI technology and user data from *Mercari* to provide an appropriate amount of credit based on the users’ most up-to-date usage information. As a result, the number of *MeroPay* users has steadily grown to 12.14 million<sup>(Note 2)</sup>, and the combined user account balance for fixed-amount payment reached ¥35.0 billion.

For the Mercari US business, the Group implemented marketing measures to match the high-demand holiday season. The GMV growth rate continued to grow on a monthly basis, as it has since July 2021, and MAU reached 5.30 million users for the month of December. As a result, the GMV of *Mercari* in the US for the six months ended December 31, 2021, was \$580 million (¥64.9 billion; the exchange rate conversion is calculated using the average rate during the Period, ¥111.91 against the US dollar), up \$27 million from the corresponding period of the previous fiscal year, and MAU increased to 5.12 million.

As a result, for the six months ended December 31, 2021, the Group recorded net sales of ¥71,191 million (47.7% increase year on year), operating loss of ¥1,774 million (compared to operating profit of ¥1,370 million in the corresponding period of the previous fiscal year), ordinary loss of ¥1,797 million (compared to ordinary profit of ¥1,190 million in the corresponding period of the previous fiscal year), and net loss attributable to owners of parent of ¥2,728 million (compared to net profit attributable to owners of parent of ¥4,111 million in the corresponding

period of 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 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 December 31, 2021 (excluding overlaps)

## (2) Explanation of Financial Position

### (Assets)

Assets as of December 31, 2021, increased by ¥64,480 million from the end of the previous fiscal year to ¥327,010 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 Explanation of Cash Flows.
- Other receivable increased by ¥23,198 million compared to the end of the previous fiscal year primarily due to an increase in use of *Merpay Smart Payments* (lump-sum payment and fixed-amount payment).
- Guarantee deposits increased by ¥19,501 million from the end of the previous fiscal year, primarily due to deposits paid based on laws and regulations accompanying the increase in the amounts spent on *Mercari* and *Merpay*.

### (Liabilities)

Liabilities as of December 31, 2021, increased by ¥63,921 million from the end of the previous fiscal year to ¥286,438 million.

The main reasons for increases and decreases are as follows.

- Short-term borrowings increased by ¥20,213 million from the end of the previous fiscal year, primarily due to the liquidation of receivables for lump-sum payments and fixed-amount payments.
- Long-term borrowings (including the current portion of long-term borrowings) decreased by ¥25,200 million from the end of the previous fiscal year primarily due to repayments.
- Deposits received increased by ¥19,972 million from the end of the previous fiscal year, primarily due to the increase in the amounts spent on *Mercari* and *Merpay*.
- Convertible-bond-type bonds with stock acquisition rights increased by ¥50,000 million from the end of the previous fiscal year due to their issuance to provide investment funds for accelerating growth in existing businesses and creating new business opportunities, and to strengthen the financial base.

### (Net assets)

Net assets as of December 31, 2021, increased by ¥558 million from the end of the previous fiscal year to ¥40,571 million.

The main reasons for increases and decreases are as follows.

- Capital stock increased by ¥1,338 million from the end of the previous fiscal year following the issuance of new shares.
- Capital surplus increased by ¥1,338 million from the end of the previous fiscal year following the issuance of new shares.
- Retained earnings decreased by ¥2,767 million from the end of the previous fiscal year primarily due to the recording of net loss attributable to owners of parent.

## (3) Explanation of Cash Flows

For the six months ended December 31, 2021, cash and cash equivalents (hereinafter referred to as “cash”) increased by ¥21,941 million from the end of the previous fiscal year to ¥193,404 million as of December 31, 2021.

The status of cash flows and their contributing factors for the six months ended December 31, 2021, are as follows.

## English Translation

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(Cash flows from operating activities)

Cash used in operating activities during the six months ended December 31, 2021, amounted to ¥25,370 million. This is primarily attributable to an increase in deposits received of ¥19,972 million, an increase in other receivable of ¥23,198 million, and an increase in guarantee deposits of ¥19,501 million.

(Cash flows from investing activities)

Cash used in investing activities during the six months ended December 31, 2021, amounted to ¥186 million. This is primarily attributable to purchase of property and equipment of ¥181 million.

(Cash flows from financing activities)

Cash provided by financing activities during the six months ended December 31, 2021, amounted to ¥46,775 million. This is primarily attributable to a ¥20,213 million increase in short-term borrowings, repayments of long-term borrowings of ¥25,200 million, and proceeds from issuance of bonds of ¥49,876 million.

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

Working to realize its mission, the Group intends to promote the development of new domains in Japan and overseas, such as Souzoh, Mercoin, Merlogi, and global expansion, and focus on creating further growth opportunities for the Group while continuing to grow and strengthen the three pillars of the Mercari Japan, Merpay, and Mercari US businesses. As opposed to the Mercari Japan business, which has a stable earnings base, Mercari US, Merpay, and the other new businesses are still in the investment phase. As the Group will make these strategic investments flexibly, it is difficult to forecast the consolidated financial results, and due to the foregoing reasons, 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 to maximize future profits.

In regard to the impact of the COVID-19 pandemic, it continues to be difficult to accurately forecast future trends, such as when the pandemic will clear up. 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 allowance for doubtful accounts. 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.

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

(Millions of yen)

	As of June 30, 2021	As of December 31, 2021
<b>Assets</b>		
Current assets		
Cash on hand and in banks	171,463	193,404
Trade accounts receivable	2,413	3,583
Other receivable	47,001	70,199
Prepaid expenses	2,336	4,469
Deposits paid	6,251	3,193
Other current assets	876	1,834
Allowance for doubtful accounts	(2,416)	(3,839)
Total current assets	227,926	272,846
Non-current assets		
Property and equipment	2,623	2,785
Intangible assets	658	668
Investments and other assets		
Investment securities	215	140
Lease deposits	1,631	1,615
Deferred tax assets	2,362	2,362
Guarantee deposits	26,767	46,268
Other assets	344	322
Total investments and other assets	31,321	50,709
Total non-current assets	34,603	54,163
Total assets	262,529	327,010



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(Millions of yen)

	As of June 30, 2021	As of December 31, 2021
<b>Liabilities</b>		
Current liabilities		
Short-term borrowings	19,602	39,815
Current portion of long-term borrowings	35,398	298
Accounts payable	17,775	20,880
Accrued expenses	1,147	1,838
Income taxes payable	6,140	1,099
Deposits received	117,099	137,071
Provision for bonuses	1,683	1,615
Provision for point certificates	802	1,682
Provision for share-based compensation	152	212
Other current liabilities	5,529	4,769
<b>Total current liabilities</b>	<b>205,331</b>	<b>209,284</b>
Non-current liabilities		
Convertible-bond-type bonds with stock acquisition rights	-	50,000
Long-term borrowings	16,148	26,048
Retirement benefit liability	92	100
Asset retirement obligations	126	126
Deferred tax liabilities	183	179
Other non-current liabilities	633	700
<b>Total non-current liabilities</b>	<b>17,184</b>	<b>77,154</b>
<b>Total liabilities</b>	<b>222,516</b>	<b>286,438</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	42,630	43,968
Capital surplus	42,585	43,923
Retained earnings (Accumulated deficit)	(46,149)	(48,916)
Treasury stock	(0)	(0)
<b>Total shareholders' equity</b>	<b>39,065</b>	<b>38,974</b>
Accumulated other comprehensive income		
Foreign currency translation adjustments	(5)	246
<b>Total accumulated other comprehensive income</b>	<b>(5)</b>	<b>246</b>
Stock acquisition rights	566	996
Non-controlling interests	386	353
<b>Total net assets</b>	<b>40,013</b>	<b>40,571</b>
<b>Total liabilities and net assets</b>	<b>262,529</b>	<b>327,010</b>

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

(Millions of yen)

	For the six months ended December 31, 2020	For the six months ended December 31, 2021
Net sales	48,213	71,191
Cost of sales	12,023	24,844
Gross profit	36,189	46,346
Selling, general and administrative expenses	34,819	48,121
Operating profit (loss)	1,370	(1,774)
Non-operating income		
Interest income	19	12
Compensation income	12	-
Consumption taxes refund	12	14
Foreign exchange gain	-	5
Other	25	22
Total non-operating income	69	54
Non-operating expenses		
Interest expense	121	65
Foreign exchange loss	118	-
Bond issuance costs	-	11
Other	9	-
Total non-operating expenses	249	77
Ordinary profit (loss)	1,190	(1,797)
Extraordinary income		
Gain on sales of investment securities	6,942	-
Total extraordinary income	6,942	-
Extraordinary losses		
Loss on devaluation of investment securities	-	74
Total extraordinary losses	-	74
Net profit (loss) before income taxes	8,133	(1,872)
Income taxes	4,122	889
Net profit (loss)	4,011	(2,761)
Net loss attributable to non-controlling interests	(100)	(33)
Net profit (loss) attributable to owners of parent	4,111	(2,728)

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## Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the six months ended December 31, 2020	For the six months ended December 31, 2021
Net profit (loss)	4,011	(2,761)
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,999)	-
Foreign currency translation adjustments	(392)	252
Total other comprehensive income	(4,391)	252
Comprehensive income	(380)	(2,509)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(280)	(2,476)
Comprehensive income attributable to non-controlling interests	(100)	(33)

English Translation

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(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended December 31, 2020	For the six months ended December 31, 2021
<b>Cash flows from operating activities</b>		
Net profit (loss) before income taxes	8,133	(1,872)
Depreciation and amortization	455	374
Gain on sales of investment securities	(6,942)	-
Loss on devaluation of investment securities	-	74
Bond issuance costs	-	11
Change in allowance for doubtful accounts	142	1,423
Change in provision for point certificates	510	880
Change in provision for bonuses	(94)	(67)
Change in provision for share-based compensation	299	59
Interest income	(19)	(12)
Interest expense	121	65
Change in trade accounts receivable	(1,548)	(1,169)
Change in other receivable	(18,902)	(23,198)
Change in accounts payable	1,706	3,160
Change in deposits paid	8,385	3,057
Change in deposits received	17,811	19,972
Change in prepaid expenses	(1,700)	(2,132)
Other—net	3,018	(602)
Subtotal	11,378	23
Interest and dividend income received	19	12
Interest expense paid	(121)	(65)
Change in guarantee deposits	(7,643)	(19,501)
Income taxes paid	(1,314)	(5,854)
Other—net	-	14
Net cash provided by (used in) operating activities	2,318	(25,370)
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(292)	(181)
Proceeds from sales of investment securities	6,942	-
Purchase of subsidiaries' shares resulting in a change in scope of consolidation	-	(18)
Proceeds from refund of lease deposits	370	0
Other—net	(22)	12
Net cash provided by (used in) investing activities	6,997	(186)
<b>Cash flows from financing activities</b>		
Change in short-term borrowings	10,479	20,213
Repayments of long-term borrowings	(533)	(25,200)
Proceeds from issuance of bonds	-	49,876
Proceeds from issuance of common stock	687	1,921
Other—net	-	(35)
Net cash provided by (used in) financing activities	10,632	46,775
Foreign currency translation adjustments on cash and cash equivalents	(866)	722
Change in cash and cash equivalents	19,082	21,941
Cash and cash equivalents at the beginning of period	141,008	171,463
Cash and cash equivalents at the end of period	160,090	193,404

(4) Notes to the Quarterly Consolidated Financial Statements

Notes on going concern assumption

Not applicable.

Notes on significant changes in the amount of shareholders' equity

Not applicable.

Application of special accounting treatments for preparing the quarterly consolidated financial statements

*Calculation of income tax expense*

The Company reasonably estimated the effective tax rate following application of tax effect accounting on net profit before income taxes for the fiscal year, which includes the current quarterly period, and applied this percentage to quarterly net profit before income taxes to determine income taxes.

Change in accounting policy

*Application of Accounting Standard for Revenue Recognition, etc.*

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021, Accounting Standards Board of Japan) from the beginning of the first quarter of the current fiscal year, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

The main changes resulting from the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations are as follows.

*Revenue recognition for transactions of entity acting as principal*

For services related to delivery carried out as part of the Group's marketplace services, the amount of revenue was previously calculated by deducting the delivery costs from the amount received from the customer. However, as a result of applying the Accounting Standard for Revenue Recognition and relevant ASBJ regulations and evaluating whether each entity in the Group that has a delivery function acts as principal or agent when providing goods or services to their customers, the Company's US subsidiary shall be treated as an entity acting as a principal. As a result, for the aforementioned transactions, the method of calculating the amount of revenue has changed to the method in which the full amount of consideration received from the customer is recognized as revenue.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the start of the current fiscal year, was added to or subtracted from the opening balance of retained earnings of the current fiscal year, and thus the new accounting policy was applied from such opening balance; provided, however, that the new accounting policy was not retrospectively applied to contracts where recognitions of nearly all the revenue amounts for periods prior to the start of the current fiscal year, by applying the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition.

As a result, net sales increased by ¥10,651 million, cost of sales increased by ¥10,918 million, and selling, general and administrative expenses decreased by ¥295 million, while operating loss, ordinary loss, and net loss before income taxes each decreased by ¥28 million. In addition, retained earnings as of the beginning of the previous fiscal year decreased by ¥38 million.

*Application of Accounting Standard for Fair Value Measurement, etc.*

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the first quarter of the fiscal year under review, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement, and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). There is no impact on the quarterly consolidated financial statements from the application of this standard.

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Segment information, etc.

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

Significant subsequent events

Not applicable.