

mercari



Consolidated Financial Results for the Fiscal Year Ended June 30, 2022 [Japanese GAAP]

August 8, 2022

Company name: Mercari, Inc.

Stock exchange listing: Tokyo Stock Exchange

Code number: 4385

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

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Scheduled date of annual general meeting of shareholders: September 28, 2022

Scheduled date of filing annual securities report: September 28, 2022

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, 2022 (the "Period") (July 1, 2021 to June 30, 2022)

(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, 2022	147,049	38.6	(3,715)	-	(3,896)	-	(7,569)	-
June 30, 2021	106,115	39.1	5,184	-	4,975	-	5,720	-

(Note) Comprehensive income: Fiscal year ended June 30, 2022: ¥(6,331) million [-%]

Fiscal year ended June 30, 2021: ¥1,699 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, 2022	(47.34)	-	(20.0)	(1.3)	(2.5)
June 30, 2021	36.43	35.15	15.5	2.2	4.9

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

Fiscal year ended June 30, 2022: ¥ - million

Fiscal year ended June 30, 2021: ¥ - million

- (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 fiscal year ended June 30, 2022, reflect the application of this accounting standard.
2. Information on diluted earnings per share for the fiscal year ended June 30, 2022, 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	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2022	339,862	37,998	10.8	228.57
As of June 30, 2021	262,529	40,013	14.9	247.52

(Reference) Equity: As of June 30, 2022: ¥36,756 million

As of June 30, 2021: ¥39,060 million

(Notes) 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 fiscal year ended June 30, 2022, reflect the application of this accounting standard.

(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
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended June 30, 2022	(26,217)	(671)	62,065	211,406
June 30, 2021	3,367	6,907	19,773	171,463

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, 2021	-	0.00	-	0.00	0.00	-	-	-
June 30, 2022	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending June 30, 2023 (Forecast)	-	-	-	-	-		-	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2023 (July 1, 2022 to June 30, 2023)

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: Yes
 - 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, 2022: 160,813,967 shares
 - June 30, 2021: 157,807,344 shares
 - 2) Total number of treasury stock at the end of the Period:
 - June 30, 2022: 103 shares
 - June 30, 2021: 2 shares
 - 3) Average number of shares during the Period:
 - Fiscal year ended June 30, 2022: 159,908,850 shares
 - Fiscal year ended June 30, 2021: 157,042,604 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended June 30, 2022 (July 1, 2021 to June 30, 2022)**(1) Non-consolidated Operating Results** (% indicates changes from the previous corresponding period.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Net profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2022	86,107	14.6	13,094	(16.5)	13,221	(14.3)	(4,965)	-
June 30, 2021	75,152	27.9	15,675	34.5	15,426	33.6	7,926	-

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
June 30, 2022	(31.05)	-
June 30, 2021	50.48	48.71

(Note) Information on diluted earnings per share for the fiscal year ended June 30, 2022, 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, 2022	137,359	45,152	32.2	275.01
As of June 30, 2021	119,376	45,760	37.9	286.39

(Reference) Equity: As of June 30, 2022: ¥44,225 million
As of June 30, 2021: ¥45,194 million

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

* The forward-looking statements contained in these materials, including the financial results forecast, 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.

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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, 2022, 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, Merlogi, and global expansion, while also continuing to grow its three pillars of Mercari Japan, Merpay, and Mercari US. There continued to be major changes in the external environment such as moves to restart the economy following the spread of COVID-19 in Japan and the US and the rapidly advancing inflation in the US. Under such changes, the Group updated its investment policy, clarified investment priorities, and implemented selective investments, resulting in a consolidated operating profit in the fourth quarter and making this a year of preparation for sustainable growth.

In addition, aiming to use the planet’s limited resources carefully and build a world where anyone can create value, the Group carried out various action plans in areas such as climate change mitigation and diversity & inclusion. This included achieving scopes 1 and 2^(Note 1) of the Group’s mid-term decarbonization targets, as well as introducing “Mercari’s New Normal Work Style ‘Your Choice,’” a work style policy that allows for diverse work styles.

In the mainstay Mercari Japan business, as a result of initiatives to acquire new users, strengthen listings, and improve retention, the number of monthly active users (MAU^(Note 2)) was 20.40 million. On the other hand, in addition to a decrease in time people spent at home and the impact of anti-fraud measures, the prioritization of investments made for mid- to long-term growth resulted in a slowdown of short-term gross merchandise value (GMV^(Note 3)). Despite this, Mercari Japan’s GMV for the fiscal year ended June 30, 2022, was ¥881.6 billion, an increase of ¥97.0 billion from the previous fiscal year.

In the Souzoh business, the full rollout of the business-to-consumer (B2C) marketplace *Mercari Shops* took place in October 2021, with the business getting off to a good start. In the second half of the fiscal year, as a result of focusing on product improvements and marketing to acquire shops, *Mercari Shops* exceeded 200,000^(Note 4) shops, showing strong progress.

With respect to the Merpay business and its mobile payment services, the Group is seeing a steady growth in the payment and credit businesses^(Note 5). In particular, the growth of *Merpay Smart Payments* (fixed-amount payment) improved profitability, and the Merpay business recorded its first full-year unadjusted^(Note 6) operating profit. In addition, the Merpay business has been advancing convenience and the construction of a safe and secure user environment, with the percentage of users who have completed its continuously promoted identity verification exceeding 86% of all users.

For the Mercari US business, MAU grew with the success of effective marketing initiatives. In addition, *Mercari* brand awareness^(Note 7) achieved a record high, with the launch of campaigns to promote brand building over the medium-to-long term. However, short-term GMV growth rate slowed down due to the high hurdle of the previous fiscal year, external factors such as inflation among other reasons. As a result, the GMV of *Mercari* in the US for the fiscal year ended June 30, 2022, was \$1,145 million (¥134.4 billion; the exchange rate conversion is calculated using the average rate during the Period, ¥117.40 against the US dollar), down \$28 million from the previous fiscal year, and MAU was 4.90 million.

As a result, for the fiscal year ended June 30, 2022, the Group recorded net sales of ¥147,049 million (38.6% increase year on year), operating loss of ¥3,715 million (compared to operating profit of ¥5,184 million in the previous fiscal year), ordinary loss of ¥3,896 million (compared to ordinary profit of ¥4,975 million in the previous fiscal year), and net loss attributable to owners of parent of ¥7,569 million (compared to net profit attributable to owners of parent of ¥5,720 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) Reduce emissions by 75% by using renewable energy for 100% of our office electricity.

(Note 2) 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 3) GMV (Gross Merchandise Value) is the total value of merchandise sold during a specified period.

(Note 4) As of April 19, 2022.

(Note 5) Refers to the payment and credit areas of Merpay.

(Note 6) Amount before deducting internal transactions between Mercari Japan and Merpay.

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(Note 7) Number of respondents indicating they “know of” Mercari’s service name (third-party survey).

(2) Overview of Financial Position for the Period

(Assets)

Total assets at the end of the current fiscal year increased by ¥77,332 million from the end of the previous fiscal year to ¥339,862 million.

The main reasons for increases and decreases are as follows.

- Cash on hand and in banks increased by ¥39,924 million compared to the end of the previous fiscal year. The main reasons for this increase are outlined in Overview of Cash Flows for the Period.
- Other receivable increased by ¥33,285 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).

(Liabilities)

Total liabilities at the end of the current fiscal year increased by ¥79,347 million from the end of the previous fiscal year to ¥301,864 million.

The main reasons for increases and decreases are as follows.

- Short-term borrowings increased by ¥34,652 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 ¥24,449 million from the end of the previous fiscal year, primarily due to repayments.
- Deposits received increased by ¥21,995 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 at the end of the current fiscal year decreased by ¥2,014 million from the end of the previous fiscal year to ¥37,998 million.

The main reasons for increases and decreases are as follows.

- Capital stock increased by ¥1,998 million from the end of the previous fiscal year following the issuance of new shares.
- Capital surplus increased by ¥1,997 million from the end of the previous fiscal year following the issuance of new shares.
- Retained earnings decreased by ¥7,607 million from the end of the previous fiscal year mainly due to the recording of net loss attributable to owners of parent.
- Foreign currency translation adjustments increased by ¥1,308 million from the end of the previous fiscal year following fluctuations in exchange rates.

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(3) Overview of Cash Flows for the Period

Cash and cash equivalents (hereinafter referred to as “cash”) for the current fiscal year increased by ¥39,942 million from the end of the previous fiscal year and amounted to ¥211,406 million at the end of the current fiscal year.

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

(Cash flows from operating activities)

Cash used in operating activities during the current fiscal year amounted to ¥26,217 million (compared to ¥3,367 million provided in the previous fiscal year). This is primarily attributable to an increase of ¥19,934 million in deposits received, an increase of ¥33,133 million in other receivable, and income taxes paid in the amount of ¥9,339 million.

(Cash flows from investing activities)

Cash used in investing activities during the current fiscal year amounted to ¥671 million (compared to ¥6,907 million provided in the previous fiscal year). This is primarily attributable to purchase of property and equipment of ¥669 million.

(Cash flows from financing activities)

Cash provided by financing activities during the current fiscal year amounted to ¥62,065 million (compared to ¥19,773 million provided in the previous fiscal year). This is primarily attributable to change in short-term borrowings of ¥34,652 million, proceeds from issuance of bonds of ¥49,876 million, and repayments of long-term borrowings of ¥25,449 million.

(4) Future Outlook

The Group transitioned to a new management execution structure starting on January 1, 2022, in order to further consolidate the Mercari Group’s business base and realize its mission. The Group will promote the creation of synergy and optimization of businesses by strengthening business cooperation within the Japan Region. At the same time, it is difficult to make projections for consolidated earnings, partly because the Group will be taking a flexible approach to investments to aptly respond to business circumstances and environmental changes in order to realize medium- to long-term growth, as the Group continues to closely observe the external environment in terms of how fast the economy will reopen following the COVID-19 pandemic and the effects of inflation in Japan as well as the United States. Accordingly, the Company has not announced forecasts for consolidated earnings. The Company will work on building a sturdy global business base and is operating on a policy of striking a balance between growth and revenue.

With regard to the impact of the COVID-19 pandemic, it continues to be difficult to accurately forecast future trends, including when the pandemic will clear up. 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. 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.

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

(Millions of yen)

	As of June 30, 2021	As of June 30, 2022
Assets		
Current assets		
Cash on hand and in banks	171,463	211,406
Trade accounts receivable	2,413	4,454
Other receivable	47,001	80,287
Prepaid expenses	2,336	2,805
Deposits paid	6,251	7,093
Other current assets	876	2,156
Allowance for doubtful accounts	(2,416)	(4,807)
Total current assets	227,926	303,396
Non-current assets		
Property and equipment	2,623	3,462
Intangible assets	658	666
Investments and other assets		
Investment securities	215	117
Lease deposits	1,631	1,614
Deferred tax assets	2,362	3,417
Guarantee deposits	26,767	26,774
Other assets	344	413
Total investments and other assets	31,321	32,337
Total non-current assets	34,603	36,466
Total assets	262,529	339,862

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(Millions of yen)

	As of June 30, 2021	As of June 30, 2022
Liabilities		
Current liabilities		
Short-term borrowings	19,602	54,254
Current portion of long-term borrowings	35,398	1,348
Accounts payable	17,775	18,217
Accrued expenses	1,147	1,915
Income taxes payable	6,140	1,525
Deposits received	117,099	139,094
Provision for bonuses	1,683	1,389
Provision for point certificates	802	359
Provision for share-based compensation	152	91
Other current liabilities	5,529	6,525
Total current liabilities	205,331	224,722
Non-current liabilities		
Convertible-bond-type bonds with stock acquisition rights	-	50,000
Long-term borrowings	16,148	25,749
Retirement benefit liability	92	75
Asset retirement obligations	126	126
Deferred tax liabilities	183	162
Other non-current liabilities	633	1,028
Total non-current liabilities	17,184	77,141
Total liabilities	222,516	301,864
Net assets		
Shareholders' equity		
Capital stock	42,630	44,628
Capital surplus	42,585	44,582
Retained earnings (Accumulated deficit)	(46,149)	(53,757)
Treasury stock	(0)	(0)
Total shareholders' equity	39,065	35,453
Accumulated other comprehensive income		
Foreign currency translation adjustments	(5)	1,303
Total accumulated other comprehensive income	(5)	1,303
Stock acquisition rights	566	926
Non-controlling interests	386	314
Total net assets	40,013	37,998
Total liabilities and net assets	262,529	339,862

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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, 2021	For the fiscal year ended June 30, 2022
Net sales	106,115	147,049
Cost of sales	24,312	51,905
Gross profit	81,802	95,143
Selling, general and administrative expenses	76,617	98,859
Operating profit (loss)	5,184	(3,715)
Non-operating income		
Interest income	30	50
Consumption taxes refund	27	28
Subsidy income	74	4
Other	45	26
Total non-operating income	177	110
Non-operating expenses		
Interest expense	232	129
Foreign exchange loss	31	149
Bond issuance costs	111	11
Other	11	0
Total non-operating expenses	387	290
Ordinary profit (loss)	4,975	(3,896)
Extraordinary income		
Gain on sales of investment securities	6,942	15
Gain on liquidation of investment securities	-	16
Other	65	1
Total extraordinary income	7,008	32
Extraordinary losses		
Loss on retirement of non-current assets	-	51
Loss on devaluation of investment securities	109	82
Total extraordinary losses	109	133
Net profit (loss) before income taxes	11,874	(3,997)
Income taxes - current	6,981	4,718
Income taxes - deferred	(631)	(1,075)
Total income taxes	6,349	3,642
Net profit (loss)	5,524	(7,640)
Net loss attributable to non-controlling interests	(195)	(70)
Net profit (loss) attributable to owners of parent	5,720	(7,569)

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

	For the fiscal year ended June 30, 2021	For the fiscal year ended June 30, 2022
Net profit (loss)	5,524	(7,640)
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,995)	-
Foreign currency translation adjustments	170	1,308
Total other comprehensive income	(3,825)	1,308
Comprehensive income	1,699	(6,331)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,895	(6,260)
Comprehensive income attributable to non-controlling interests	(195)	(70)

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(3) Consolidated Statements of Changes in Equity
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

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For the fiscal year ended June 30, 2022

(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	42,630	42,585	(46,149)	(0)	39,065
Cumulative effects of changes in accounting policies			(38)		(38)
Restated balance	42,630	42,585	(46,188)	(0)	39,027
Changes of items during the period					
Issuance of new shares	1,998	1,997			3,996
Net loss attributable to owners of parent			(7,569)		(7,569)
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during the period	1,998	1,997	(7,569)	(0)	(3,573)
Balance at the end of current period	44,628	44,582	(53,757)	(0)	35,453

	Accumulated other comprehensive income		Stock acquisition rights	Non-controlling interests	Total net assets
	Foreign currency translation adjustments	Total accumulated other comprehensive income			
Balance at the beginning of current period	(5)	(5)	566	386	40,013
Cumulative effects of changes in accounting policies					(38)
Restated balance	(5)	(5)	566	386	39,974
Changes of items during the period					
Issuance of new shares					3,996
Net loss attributable to owners of parent					(7,569)
Purchase of treasury stock					(0)
Net changes of items other than shareholders' equity	1,308	1,308	360	(72)	1,597
Total changes of items during the period	1,308	1,308	360	(72)	(1,976)
Balance at the end of current period	1,303	1,303	926	314	37,998

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(4) Consolidated Statements of Cash Flows

(Millions of yen)

	For the fiscal year ended June 30, 2021	For the fiscal year ended June 30, 2022
Cash flows from operating activities		
Net profit (loss) before income taxes	11,874	(3,997)
Depreciation and amortization	845	818
Loss on retirement of non-current assets	-	51
Gain on sales of investment securities	(6,942)	(15)
Loss on devaluation of investment securities	109	82
Gain on liquidation of investment securities	-	(16)
Bond issuance costs	111	11
Change in allowance for doubtful accounts	1,011	2,391
Change in provision for point certificates	279	(442)
Change in provision for bonuses	368	(294)
Change in provision for share-based compensation	(24)	(60)
Interest income	(30)	(50)
Interest expense	232	129
Change in trade accounts receivable	(1,294)	(2,019)
Change in other receivable	(31,388)	(33,133)
Change in accounts payable	1,531	343
Change in deposits paid	3,466	(720)
Change in deposits received	32,908	19,934
Other—net	3,006	156
Subtotal	16,065	(16,832)
Interest income received	30	50
Interest expense paid	(232)	(129)
Change in guarantee deposits	(10,168)	(0)
Income taxes paid	(2,429)	(9,339)
Other—net	102	33
Net cash provided by (used in) operating activities	3,367	(26,217)
Cash flows from investing activities		
Proceeds from sales of investment securities	6,942	15
Purchase of property and equipment	(420)	(669)
Proceeds from refund of lease deposits	370	2
Purchase of subsidiaries' shares resulting in a change in scope of consolidation	-	(18)
Other—net	14	(1)
Net cash provided by (used in) investing activities	6,907	(671)
Cash flows from financing activities		
Change in short-term borrowings	19,602	34,652
Proceeds from long-term borrowings	-	1,000
Repayments of long-term borrowings	(900)	(25,449)
Proceeds from issuance of bonds	-	49,876
Proceeds from issuance of common stock	835	2,090
Other—net	236	(103)
Net cash provided by (used in) financing activities	19,773	62,065
Foreign currency translation adjustments on cash and cash equivalents	406	4,767
Change in cash and cash equivalents	30,454	39,942
Cash and cash equivalents at the beginning of period	141,008	171,463
Cash and cash equivalents at the end of period	171,463	211,406

(5) Notes to the Consolidated Financial Statements

Notes on going concern assumption

Not applicable.

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 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 nearly all the revenue amounts had been recognized according to the previous treatment in 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, for the fiscal year ended June 30, 2022, net sales increased by ¥22,203 million, cost of sales increased by ¥23,062 million, and selling, general and administrative expenses decreased by ¥897 million, while operating loss, ordinary loss, and net loss before income taxes each decreased by ¥38 million. In addition, retained earnings as of the beginning of the current 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 current fiscal year, 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 consolidated financial statements from the application of this standard.

Segment information, etc.

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

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.

Per share information

	For the fiscal year ended June 30, 2021	For the fiscal year ended June 30, 2022
Net assets per share	¥247.52	¥228.57
Basic earnings (loss) per share	¥36.43	¥(47.34)
Diluted earnings per share	¥35.15	-

(Notes) 1. Information on diluted earnings per share for the fiscal year ended June 30, 2022, 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, 2021	For the fiscal year ended June 30, 2022
Basic earnings (loss) per share		
Net profit (loss) attributable to owners of parent (Million yen)	5,720	(7,569)
Amount not attributable to common shareholders (Million yen)	-	-
Net profit (loss) attributable to owners of parent related to common stock (Million yen)	5,720	(7,569)
Average number of shares of common stock outstanding during the period (Shares)	157,042,604	159,908,850
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	-	Stock options Number of stock acquisition rights: 1,468,345 Number of common stock: 3,487,711 Number of restricted stock units (RSU): 478,312 Number of common stock: 478,312 Zero Coupon Convertible Bonds Number of stock acquisition rights: 5,000 Number of common stock: 5,349,882

English Translation

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Significant subsequent events

Change in segment classification

Up until now, the Group has operated as a single segment, the marketplace business. Commencing the fiscal year ending June 30, 2023, the Group will change its reportable segments to those of Japan Region and US. This change was made because the Group transitioned to a new management execution structure from January 1, 2022, and it plans to change its corporate management classification from July 1, 2022, with the objectives of further strengthening the strategy of the overall business structure in Japan and further developing globally.

Currently, the Company is preparing segment information for the fiscal year under review, including reportable segment net sales, profit or loss, and other items to demonstrate the impact that segment classification would have if the changes were applied to the current fiscal year under review.