

Consolidated Financial Results for the Fiscal Year Ended June 30, 2023 [Japanese GAAP]



August 14, 2023

Company name: freee K.K.
 Listing: Tokyo Stock Exchange
 Securities code: 4478
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Scheduled date of ordinary general meeting of shareholders: September 28, 2023
 Scheduled date to commence dividend payment: -
 Scheduled date to file annual securities report: September 28, 2023
 Preparation of supplementary materials on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Millions of yen with fractional amounts rounded down, unless otherwise noted)

1. Consolidated financial results for the fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Adjusted operating profit		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen		Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended June 30, 2023	19,219	33.7	(7,195)	-	(7,919)	-	(7,982)	-	(12,338)	-
June 30, 2022	14,380	40.2	(2,250)	-	(3,042)	-	(3,085)	-	(11,609)	-

Notes: 1. Comprehensive income For the fiscal year ended June 30, 2023: ¥(12,197) million (-%)
 For the fiscal year ended June 30, 2022: ¥(11,598) million (-%)

2. Adjusted operating profit is the sum of the operating profit, stock-based compensation expenses, expenses for amortization of acquisition-related intangible assets, and one-time cost.

	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, 2023	(215.64)	-	(39.9)	(17.7)	(41.2)
June 30, 2022	(208.22)	-	(28.1)	(6.0)	(21.2)

Reference: Share of profit (loss) of entities accounted for using equity method Fiscal year ended June 30, 2023: ¥- million
 Fiscal year ended June 30, 2022: ¥- million

Note: Diluted earnings per share is not stated because basic loss per share was recorded.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
June 30, 2023	42,786	27,059	60.1	444.66
June 30, 2022	47,413	36,428	76.1	636.68

Reference: Equity

As of June 30, 2023: ¥25,729 million

As of June 30, 2022: ¥36,095 million

English Translation

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(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, 2023	(4,753)	(1,935)	543	35,905
June 30, 2022	(1,069)	(4,483)	451	42,046

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
June 30, 2022	–	0.0	–	0.0	0.0	–	–	–
June 30, 2023	–	0.0	–	0.0	0.0	–	–	–
Fiscal year ending June 30, 2024 (Forecast)	–	0.0	–	0.0	0.0		–	

3. Consolidated earnings forecasts for the fiscal year ending June 30, 2024 (from July 1, 2023 to June 30, 2024)

For the fiscal year ending June 30, 2024, we forecast net sales of 25,400 million yen (up 32.2% compared to net sales for Platform business(1) for the fiscal year ended June 30, 2023) backed by the expansion of customer base in the SaaS business, enhancement in customer value, etc,. On the other hand, adjusted operating loss(2) is expected to be 8,650 – 7,800 million yen due to investment for sustainable growth over the mid to long-term.

For details, please refer to "1. Overview of operating results, etc., (4) Explanation of consolidated earnings guidance and other forward-looking statements."

(Percentages indicate year-on-year changes.)

	Net sales		Adjusted operating profit	
	Millions of yen	%	Millions of yen	%
Fiscal year ending June 30, 2024	25,400	32.2	(8,650) ~(7,800)	– –

Notes:1. Platform business: Business consisting of the integrated cloud ERP offering for small businesses and financial services, etc.

2. Adjusted operating profit is the sum of the operating profit, stock-based compensation expenses, expenses for amortization of acquisition-related intangible assets, and one-time cost.

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries : None resulting in the change in scope of consolidation)
- (2) Changes in accounting policies, changes in accounting estimates, and retrospective restatement
- Changes in accounting policies due to revisions to accounting standards and other regulations : Yes
 - Changes in accounting policies other than a. above : None
 - Changes in accounting estimates : None
 - Retrospective restatement : None

- (3) Number of issued shares (Common stock)

- a. Total number of issued shares at the end of the period (including treasury stock)

Fiscal year ended June 30, 2023	57,875,116 shares
Fiscal year ended June 30, 2022	56,695,564 shares

- b. Number of treasury stock at the end of the period

Fiscal year ended June 30, 2023	12,512 shares
Fiscal year ended June 30, 2022	2,431 shares

- c. Average number of outstanding shares during the period

Fiscal year ended June 30, 2023	57,217,059 shares
Fiscal year ended June 30, 2022	55,753,339 shares

(Reference) Overview of non-consolidated financial results**Non-consolidated financial results for the fiscal year ended June 30, 2023
(from July 1, 2022 to June 30, 2023)****(1) Non-consolidated operating results**

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended June 30, 2023	18,209	34.7	(7,272)	—	(7,251)	—	(12,324)	—
June 30, 2022	13,517	31.2	(1,624)	—	(1,666)	—	(11,527)	—

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
June 30, 2023	(215.40)	—
June 30, 2022	(206.76)	—

Note: Diluted earnings per share is not stated because basic loss per share was recorded.

(2) Non-Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
June 30, 2023	41,428	26,085	62.4	446.99
June 30, 2022	46,480	36,506	77.9	639.04

Reference: Equity

As of June 30, 2023: ¥25,864 million

As of June 30, 2022: ¥36,229 million

* Financial results reports are exempt from audit conducted by certified public accountants or audit firms.

* Proper use of earnings forecasts, and other special matters

Forward-looking statements, including the consolidated forecasts stated in these materials, are based on information currently available to the Company and certain assumptions deemed reasonable. The achievement of said forecasts cannot be promised. Results may differ materially from the consolidated forecasts due to various factors.

English Translation

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1. Overview of operating results, etc.

(1) Explanation of operating results

We estimate that the TAM (*1) for cloud accounting and HR software for small businesses (*2) is around 1.2 trillion yen (*3). At present, however, among SMBs with less than 1,000 employees and self-employed that use accounting software, the adoption rate of cloud accounting software is only 34.3% (*4). We believe that this relatively low adoption rate represents an opportunity for us to further expand the use of cloud ERP software among SMBs. In line with our corporate mission "Empower Small Businesses to Take Center Stage," we develop and offer services aimed at realization of "Integrated Management Platform for Everyone to Manage Business Freely."

In the current fiscal year, to realize our mission, we, the free Group, made investments to improve the functionality of our primary services, "free Accounting" and "free HR." In addition, we have newly released "free Order Management" for centralized management of order management operations. In preparation for the Invoice System to be introduced in October 2023, we released the "free Invoice" which enables customers to create invoices compliant with the Invoice System for free. To expand services in response to the Invoice System, we acquired and consolidated sweep Inc. which offers products that automate receiving and saving invoices and journal entries. Furthermore, we acquired Why, Inc. as a wholly owned subsidiary, which provides the SaaS account management tool "Bundle" for corporate information system departments.

As a result of initiatives including the above, as of the end of the fiscal year, for Platform business (*5), ARR (*6) increased year-over-year by 36.7% to 20,579 million yen, the number of paying customers (*7) by 18.9% to 451,088, and ARPU (*8) by 15.0% to 45,622 yen. Moreover, for the Platform business in the fiscal year ended June 30, 2023, net sales increased by 37.4% to 19,219 million yen year-over-year and adjusted operating loss (*9) was 7,195 million yen (2,343 million yen in the previous fiscal year).

As a result, for the consolidated fiscal year under review, net sales increased by 33.7% year-over-year to 19,219 million yen, adjusted operating loss was 7,195 million yen (2,250 million yen in the previous fiscal year, and the same applies hereafter), operating loss was 7,919 million yen (3,042 million yen), ordinary loss was 7,982 million yen (3,085 million yen). Loss attributable to owners of parent resulted in 12,338 million yen (11,609 million yen in the previous fiscal year).

Trends in ARR, Number of Paying Customers and ARPU for Platform business

	Jun. 30, 2019	Jun. 30, 2020	Jun. 30, 2021	Jun. 30, 2022	Jun. 30, 2023
ARR (¥ million)	5,273	7,898	11,268	15,057	20,579
Number of paying customers	160,132	224,106	293,296	379,404	451,088
ARPU (¥)	32,930	35,246	38,419	39,686	45,622

Notes:1. TAM: Total Addressable Market. This figure represents our estimate of our maximum market opportunity and is not intended as an objective indicator of the actual size of the market for our businesses as of the date of submission of this report. Our estimate of the TAM for accounting software and HR software for small businesses is based on certain assumptions and was calculated using statistical data and publications from external sources by the calculation method shown in 3 below. Actual market size may differ from this estimate due to the limitations peculiar to such statistical data and publications in terms of their accuracy.

2. Small Businesses refers to businesses with less than 1,000 employees as well as self-employed individuals.

3. Total annual spending of all potential customers assuming that all potential customers in Japan adopted free Accounting and free HR. All potential customers are the total of self-employed and SMBs with less than 1,000 employees. (Number of businesses in each category among all potential customers of free Accounting and free HR ("Tax Statistics 2019" by National Tax Agency and "Economic Census for Business Activity, June 2016" by Ministry of Internal Affairs and Communications) × Annual base charge of free Accounting and free HR for each category) + (Estimated average number of employees in each category ("Employment Status Survey, 2017" by Ministry of Internal Affairs and Communications) × Annual charge per ID).

4. International Data Corporation(IDC), "Worldwide Public Cloud Services Spending Guide Software Add On: V2

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2023.”

5. Platform business consists of the integrated cloud ERP offering for small businesses and financial services, etc. In the fiscal year ended June 30, 2022, it represented the Group's overall business, excluding the "Shikaku Square" business, sold in December 2021, provided by consolidated subsidiary Site Visit Inc. (now free Sign Inc.)
6. ARR: Annual Recurring Revenue. Monthly Recurring Revenue for last month of relevant period, multiplied by 12. Monthly Recurring Revenue is defined as the amount of fees contracted to be paid by customers on a monthly basis as of the end of a particular month (excludes one-time fees).
7. Refers to both self-employed and corporations that use our services.
8. ARPU: Average Revenue Per User. Annual Recurring Revenue as of the end of the relevant period divided by the number of paying customers as of the end of the same period.
9. Adjusted operating profit is the sum of the operating profit, stock-based compensation expenses, expenses for amortization of acquisition-related intangible assets, and one-time cost.

(2) Explanation of financial position

(Assets)

Total assets at the end of the period under review amounted to 42,786 million yen, a decrease of 4,626 million yen from the end of the previous fiscal year. This was primarily due to decreases in cash and deposits by 6,141 million yen.

(Liabilities)

Total liabilities at the end of the period under review came to 15,727 million yen, an increase of 4,743 million yen from the end of the previous fiscal year. This was mainly because of an increase of 2,643 million yen in unearned revenue, 1,529 million yen in asset retirement obligation and 1,142 million yen in accrued expenses.

(Net assets)

Total net assets at the end of the period under review were 27,059 million yen, a decrease of 9,369 million yen from the end of the previous fiscal year. This was chiefly owing to a decrease in retained earnings by 12,338 million yen resulting from the posting of loss attributable to owners of parent.

(3) Explanation of cash flows

Cash and cash equivalent (hereinafter "cash") as of June 30, 2023 stood at 35,905 million yen. Net cash flows and factors associated therewith in the consolidated fiscal year are as stated below.

(Cash flows from operating activities)

Net cash used in operating activities amounted to 4,753 million yen. This was mainly due to loss before income taxes of 12,328 million yen, impairment losses of 4,217 million yen, and increase in unearned revenue of 2,564 million yen.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 1,935 million yen. This was mainly due to the spending of 1,171 million yen for purchase of shares of subsidiaries resulting in change in scope of consolidation and the spending of 685 million yen for purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to 543 million yen. This was mainly due to Proceeds from share issuance to non-controlling shareholders of 1,000 million yen and decrease in short-term borrowings of 550 million yen.

(4) Explanation of consolidated earnings guidance and other forward-looking statements

Our SaaS business, which generates the highest proportion of our earnings, provides services to users in the subscription business model, in which earnings are built up through users' continuous subscription of services over time. Meanwhile, this business model is characterized by prior investment in development and acquisition of customers, which generally entails an operating loss in the short term.

For the fiscal year ending June 30, 2024, we forecast net sales of 25,400 million yen (up 32.2% compared to net sales in the fiscal year ended June 30, 2023 for Platform business(*1), reflecting the expansion of customer base and improvement in customer value in the SaaS business and other factors. As for profit items, adjusted operating profit (*2) is expected to be a loss ranging from 8,650 to 7,800 million yen (compared to a loss of 7,195 million yen in the fiscal year ended June 30, 2023) and adjusted operating profit margin is expected to be a loss ranging from 34.1% to 30.7% because of increases in development cost and customer acquisition cost as upfront investments for the mid-to-long term growth mentioned above.

Notes:1.Platform business: Business consisting of the integrated cloud ERP offering for small businesses and financial services, etc.

2.Adjusted operating profit is the sum of the operating profit, stock-based compensation expenses, expenses for amortization of acquisition-related intangible assets, and one-time cost.

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2. Basic concept regarding selections of accounting standards

The Group applies Japanese generally accepted accounting principles considering the comparability of consolidated financial statements from period to period.

3. Consolidated financial statements and significant notes thereto**(1) Consolidated balance sheet**

(Thousands of yen)

	As of June 30, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	42,546,956	36,405,852
Accounts receivable - trade	1,691,129	2,250,951
Other	1,495,420	2,568,885
Allowance for doubtful accounts	(15,264)	(15,597)
Total current assets	45,718,242	41,210,091
Non-current assets		
Property, plant and equipment		
Facilities attached to buildings	113,003	112,399
Accumulated depreciation	(113,003)	(112,399)
Facilities attached to buildings, net	-	-
Tools, furniture and fixtures	281,418	282,814
Accumulated depreciation	(281,418)	(282,814)
Tools, furniture and fixtures, net	-	-
Total property, plant and equipment	-	-
Investments and other assets		
Investment securities	518,939	529,937
Lease and guarantee deposits	1,040,603	876,204
Other	150,449	199,746
Allowance for doubtful accounts	(15,166)	(29,095)
Total investments and other assets	1,694,826	1,576,793
Total non-current assets	1,694,826	1,576,793
Total assets	47,413,069	42,786,885

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(Thousands of yen)

	As of June 30, 2022	As of June 30, 2023
Liabilities		
Current liabilities		
Other payable	2,137,546	1,927,678
Accrued expenses	1,290,446	2,433,417
Income taxes payable	174,046	189,953
Unearned revenue	6,296,100	8,940,008
Provision for bonuses	131,405	234,614
Short-term borrowings	550,000	–
Other	186,926	328,251
Total current liabilities	10,766,471	14,053,924
Non-current liabilities		
Bonds payable	26,000	–
Asset retirement obligation	–	1,529,496
Long-term other payable	10,000	10,000
Deposits received from members	136,933	13,600
Other	45,041	120,801
Total non-current liabilities	217,974	1,673,898
Total liabilities	10,984,446	15,727,823
Net assets		
Shareholders' equity		
Common stock	24,724,300	25,640,623
Capital surplus	40,630,339	41,555,929
Retained earnings (Accumulated deficit)	(29,268,227)	(41,606,663)
Treasury stock	–	(281)
Total shareholders' equity	36,086,413	25,589,608
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,514	105,385
Deferred gains or losses on hedges	–	25,085
Foreign currency translation adjustment	5,228	9,306
Total accumulated other comprehensive income	8,743	139,776
Stock acquisition rights	333,466	328,770
Non-controlling interests	–	1,000,906
Total net assets	36,428,622	27,059,061
Total liabilities and net assets	47,413,069	42,786,885

(2) Consolidated statement of income and consolidated statement of comprehensive income

Consolidated statement of income

(Thousands of yen)

	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023
Net sales	14,380,373	19,219,994
Cost of sales	2,840,832	3,153,526
Gross profit	11,539,541	16,066,468
Selling, general and administrative expenses	14,582,223	23,985,887
Operating loss	(3,042,681)	(7,919,419)
Non-operating income		
Lecture fee and other income	303	844
Consumption taxes refund	617	–
Interest on refund of income taxes	5,950	6,270
Recoveries of written off receivables	1,057	–
Gain arisen from the expired liabilities	–	18,516
Other	3,234	3,764
Total non-operating income	11,162	29,395
Non-operating expenses		
Interest expenses	4,385	13,307
Loss on investments in silent partnerships	481	66
Foreign exchange losses	27,437	13,478
Loss on investments in investment partnerships	5,372	14,757
Commission expenses	3,229	14,216
Stock issuance costs	1,730	988
Loss on amortization of restricted stock remuneration	11,673	31,865
Other	52	3,707
Total non-operating expenses	54,363	92,387
Ordinary loss	(3,085,882)	(7,982,411)
Extraordinary income		
Gain on reversal of stock acquisition rights	73	219
Gain on sale of shares of subsidiaries and associates	8,670	–
Gain on reversal of amortization of leasehold deposits	–	9,302
Gain on step acquisitions	–	72,502
Gain on damage compensation	–	8,243
Total extraordinary income	8,743	90,267
Extraordinary losses		
Loss on retirement of non-current assets	2,663	–
Impairment losses	9,221,296	4,217,162
Loss on valuation of investment securities	–	98,040
Office relocation expenses	409	118,186
Other	–	2,969
Total extraordinary losses	9,224,369	4,436,359
Loss before income taxes	(12,301,508)	(12,328,502)
Income taxes - current	16,709	16,548
Income taxes - deferred	(709,193)	(16,790)
Total income taxes	(692,484)	(241)
Loss	(11,609,024)	(12,328,261)
Profit attributable to non-controlling interests	–	10,174
Loss attributable to owners of parent	(11,609,024)	(12,338,435)

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Consolidated statement of comprehensive income

(Thousands of yen)

	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023
Loss	(11,609,024)	(12,328,261)
Other comprehensive income		
Valuation difference on available-for-sale securities	5,599	101,870
Deferred gains or losses on hedges	–	25,085
Foreign currency translation adjustment	5,228	4,077
Total other comprehensive income	10,827	131,033
Comprehensive income	(11,598,196)	(12,197,227)
Comprehensive income attributable to		
Owners of parent	(11,598,196)	(12,207,402)
Non-controlling interests	–	10,174

(3) Consolidated statement of changes in equity

Fiscal year ended June 30, 2022

(Thousands of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings (Accumulated deficit)	Treasury stocks	Total shareholders' equity
Balance at beginning of period	24,151,096	40,057,134	(17,645,362)	—	46,562,867
Changes during period					
Issuance of new shares	302,122	302,122			604,244
Exercise of stock acquisition rights	271,082	271,082			542,164
Change of scope of consolidation			(13,839)		(13,839)
Purchase of treasury stocks					—
Capital increase of consolidated subsidiaries					—
Loss attributable to owners of parent			(11,609,024)		(11,609,024)
Net changes in items other than shareholders' equity					
Total changes during period	573,204	573,204	(11,622,864)	—	(10,476,454)
Balance at end of period	24,724,300	40,630,339	(29,268,227)	—	36,086,413

	Accumulated other comprehensive income				Stock acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	(2,084)	—	—	(2,084)	310,841	—	46,871,624
Changes during period							
Issuance of new shares							604,244
Exercise of stock acquisition rights							542,164
Change of scope of consolidation							(13,839)
Purchase of treasury stocks							—
Capital increase of consolidated subsidiaries							—
Loss attributable to owners of parent							(11,609,024)
Net changes in items other than shareholders' equity	5,599	—	5,228	10,827	22,625	—	33,453
Total changes during period	5,599	—	5,228	10,827	22,625	—	(10,443,001)
Balance at end of period	3,514	—	5,228	8,743	333,466	—	36,428,622

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Fiscal year ended June 30, 2023

(Thousands of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings (Accumulated deficit)	Treasury stocks	Total shareholders' equity
Balance at beginning of period	24,724,300	40,630,339	(29,268,227)	–	36,086,413
Changes during period					
Issuance of new shares	747,951	747,951			1,495,903
Exercise of stock acquisition rights	168,370	168,370			336,741
Change of scope of consolidation					–
Purchase of treasury stocks				(281)	(281)
Capital increase of consolidated subsidiaries		9,267			9,267
Loss attributable to owners of parent			(12,338,435)		(12,338,435)
Net changes in items other than shareholders' equity					
Total changes during period	916,322	925,590	(12,338,435)	(281)	(10,496,805)
Balance at end of period	25,640,623	41,555,929	(41,606,663)	(281)	25,589,608

	Accumulated other comprehensive income				Stock acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	3,514	–	5,228	8,743	333,466	–	36,428,622
Changes during period							
Issuance of new shares							1,495,903
Exercise of stock acquisition rights							336,741
Change of scope of consolidation							–
Purchase of treasury stocks							(281)
Capital increase of consolidated subsidiaries							9,267
Loss attributable to owners of parent							(12,338,435)
Net changes in items other than shareholders' equity	101,870	25,085	4,077	131,033	(4,696)	1,000,906	1,127,244
Total changes during period	101,870	25,085	4,077	131,033	(4,696)	1,000,906	(9,369,560)
Balance at end of period	105,385	25,085	9,306	139,776	328,770	1,000,906	27,059,061

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(4) Consolidated statement of cash flows

(Thousands of yen)

	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023
Cash flows from operating activities		
Loss before income taxes	(12,301,508)	(12,328,502)
Depreciation	324,287	–
Amortization of goodwill	257,379	–
Impairment losses	9,221,296	4,217,162
Loss (gain) on sale of shares of subsidiaries and associates	(8,670)	–
Stock issuance costs	1,730	988
Office relocation expenses	409	118,186
Loss (gain) on step acquisitions	–	(72,502)
Increase (decrease) in allowance for doubtful accounts	(4,241)	13,163
Increase (decrease) in provision for bonuses	96,205	103,209
Loss (gain) on valuation of investment securities	–	98,040
Loss (gain) on investments in investment partnerships	5,372	14,757
Loss (gain) on investments in silent partnerships	481	66
Loss on amortization of restricted stock remuneration	11,673	31,865
Gain on reversal of stock acquisition rights	(73)	(219)
Compensation received for damage or loss	–	(8,243)
Decrease (increase) in trade receivables	(393,644)	(559,719)
Decrease (increase) in money advanced to customers	(240,572)	(771,397)
Increase (decrease) in accounts payable - other	313,204	225,509
Increase (decrease) in accrued expenses	403,609	1,170,140
Increase (decrease) in unearned revenue	1,737,825	2,564,756
Other, net	(478,448)	485,694
Subtotal	(1,053,681)	(4,697,045)
Interest received	540	195
Interest paid	(4,687)	(13,307)
Income taxes paid	(11,828)	(15,792)
Payments for office relocation related expenses	–	(35,920)
Gain on compensation paid for damage	–	8,243
Net cash provided by (used in) operating activities	(1,069,658)	(4,753,626)

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.

	(Thousands of yen)	
	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,605,678)	(685,814)
Purchase of intangible assets	(493,171)	(44,783)
Payments for acquisition of businesses	–	(20,000)
Purchase of investment securities	(189,999)	(80,296)
Payments of leasehold and guarantee deposits	(815,149)	(49,577)
Proceeds from collection of leasehold and guarantee deposits	4,489	113,593
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,894,092)	(1,171,589)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	500,000	–
Other, net	9,633	3,050
Net cash provided by (used in) investing activities	(4,483,968)	(1,935,418)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	300,000	(550,000)
Repayments of long-term borrowings	(292,046)	(119,935)
Proceeds from issuance of shares	444,035	240,080
Purchase of treasury stock	–	(281)
Proceeds from share issuance to non-controlling shareholders	–	1,000,000
Redemption of bonds	–	(26,000)
Net cash provided by (used in) financing activities	451,989	543,864
Effect of exchange rate change on cash and cash equivalents	5,228	4,077
Net increase (decrease) in cash and cash equivalents	(5,096,409)	(6,141,103)
Cash and cash equivalents at beginning of period	47,143,365	42,046,956
Cash and cash equivalents at end of period	42,046,956	35,905,852

(5) Notes to consolidated financial statements (Notes on going concern assumption)

Not applicable.

(Changes in accounting policies)

Adoption of "Implementation Guidance on Accounting Standard for Fair Value Measurement," etc.

The Company has adopted "Implementation Guidance on Accounting Standard for Fair Value Measurement" (the revised ASBJ Guidance No.30, June 17, 2021; hereinafter the "Implementation Guidance on Accounting Standard for Fair Value Measurement") at the beginning of the fiscal year ended June 30, 2023. The new accounting policies stipulated by the Implementation Guidance on Accounting Standard for Fair Value Measurement are applied into the future in accordance with the transitional treatment stipulated in Section 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement.

This change in accounting policy has no impact on consolidated financial statement.

(Segment information)

Fiscal year ended June 30, 2022 (from July 1, 2021 to June 30, 2022)

Segment information, etc. is omitted as the Group operates a major segment of the platform business and does not have monetary significance of other segments.

Fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)

Segment information, etc. is omitted as the Group operates a major segment of the platform business and does not have monetary significance of other segments.

(Per share information)

	Fiscal year ended June 30, 2022 (from July 1, 2021 to June 30, 2022)	Fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)
Net assets per share	636.68	444.66
Basic earnings (loss) per share	(208.22)	(215.64)

Notes: 1. Information on diluted earnings per share are omitted since the recorded figure was a net loss in spite of the existence of dilutive shares.

2. Basis for calculation of basic loss per share is as follows:

	Fiscal year ended June 30, 2022 (from July 1, 2021 to June 30, 2022)	Fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)
Profit (loss) attributable to owners of parent (Thousands of yen)	(11,609,024)	(12,338,435)
Amounts not attributable to common shareholders (Thousands of yen)	–	–
Profit (loss) attributable to owners of parent related to common shares (Thousands of yen)	(11,609,024)	(12,338,435)
Average number of common shares outstanding during the period (Shares)	55,753,339	57,217,059
Overview of dilutive shares that are not included in the calculation of diluted earnings per share as they have no dilutive effects	1,839,756 shares of stock acquisition rights (18 types of stock acquisition rights)	1,028,134 shares of stock acquisition rights (15 types of stock acquisition rights)

(Significant subsequent events)

Not applicable.