

3. Forecast of Consolidated Results for Fiscal Year Ending September 30, 2023 (from October 1, 2022 to September 30, 2023)
 (Percentages represent year-on-year changes.)

	Net sales		Adjusted operating income (loss)	
	Millions of yen	%	Millions of yen	%
Full Year	8,523	16.8	(979)	-

Notes: 1. Revisions to the forecast of results most recently announced: None

2. Adjusted operating income (loss) = Operating income + Goodwill amortization + Stock-based compensation expenses + Other non-recurring expenses

*Notes:

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation): Yes

New : 1 (Company name: agito, Inc.)

(2) Application of specific accounting for preparing the quarterly consolidated financial statements: None

(3) Changes in accounting policies, accounting estimates and restatement

a. Changes in accounting policies due to revisions to accounting standards and other regulations: None

b. Changes in accounting policies due to other reasons: None

c. Changes in accounting estimates: None

d. Restatement: None

(4) Number of issued shares (Common shares)

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

As of December 31, 2022	39,145,574shares	As of September 30, 2022	38,606,900shares
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b. Number of treasury shares at the end of the period

As of December 31, 2022	137shares	As of September 30, 2022	63shares
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c. Average number of outstanding shares during the period (cumulative from the beginning of the fiscal year)

As of December 31, 2022	38,691,963shares	As of December 31, 2021	37,932,632shares
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* This quarterly financial results report is out of scope from quarterly review conducted by certified public accountants or audit firms.

* Explanation of the appropriate use of earnings forecasts and other special notes

(Disclaimer regarding forward-looking statements, etc.)

The earnings forecasts and other forward-looking statements contained in this document are based on information currently available to the Company and on certain assumptions deemed reasonable by the Company. They are not intended as a promise by the Company that they will be achieved. Further, actual earnings, etc. may differ materially due to a variety of factors.

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1. Qualitative Information Regarding Results for the Period

(1) Overview of Operating Results during the Period

With the mission of “Maximize the Value of People with the Power of Data,” the Company provides its CX (Customer Experience)*1 platform KARTE via the cloud*2 to companies that operate websites, smartphone apps, and other similar businesses, with the aim of returning the enormous amounts of diverse data that exists in the world as something valuable to consumers*3 and distributing rich experiences as well.

With so many services now available online, including shopping, travel, and finance, the Company believes that consumers do not want only simple conveniences such as being able to shop or make reservations from home. Rather, customers want high-quality communications and experiences that enable them to receive optimal proposals matched to their interests and situations.

Meanwhile, in order to respond to such consumers’ needs, companies need to correctly understand the situations of each individual through the accumulation, integration, and analysis of data. Based on this, companies are required to either create appropriate communications or build a system to personalize their websites or smartphone apps for their customers. However, these efforts are currently so complex and difficult for companies.

Through using KARTE, companies can analyze a variety of data, most notably real-time behavioral data on websites and smartphone apps, on a per-user basis. This allows the interests and status of each user to be visualized, therefore the Company believes that this will make it easier to understand users not only in terms of PVs*4 or UUs*5 as figures, but also as individual people. Companies can then implement various communication measures that have been matched to the interests and situations of each individual user and verify the results of it through using KARTE.

As companies are increasingly interested in improving customer experience and utilizing data, KARTE is being used not only in the area of marketing on websites and smartphone apps, but also in a variety of corporate activities such as customer support. By enhancing the functions of KARTE and providing various products, we will continue to expand the data environment that enables companies to comprehensively understand their users in an integrated manner.

During the current 1st quarter consolidated cumulative period, the Company made organizational changes and increased its workforce to strengthen sales of KARTE, and also took steps to further expand its business domain.

As a result, for the current 1st quarter consolidated fiscal period, the Company’s ARR*6 was 6,858,051 thousand yen. Meanwhile, the Company’s financial results for the same period were net sales of 1,952,501 thousand yen (a 10.9% increase year-on-year), an operating loss of 147,651 thousand yen (compared to operating loss of 180,373 thousand yen in the same period of the previous year), an ordinary loss of 139,383 thousand yen (compared to ordinary loss of 196,300 thousand yen in the same period of the previous year), and a net loss attributable to the parent company of 128,926 thousand yen (compared to a net loss attributable to owners of parent of 184,811 thousand yen in the same period of the previous year).

Notes: *1. CX stands for Customer Experience which is defined to include the experience that the customers feel good, i.e., “the value that the customers realize through the experience.”

*2. The term “cloud” here means cloud computing, which is a general term for the provision of software and other systems as a service through the internet.

*3. Consumers refer to all of the general, unspecified number of people in the world, while “Users” refer to the people to whom companies provide their products and services.

*4. PV stands for Page Views. It refers to the number of times a particular page in a website is opened. It is an indicator used to measure how much a website is being viewed.

*5. UU stands for Unique Users. It refers to the number of distinct individuals who visited a particular website or accessed a particular smartphone app during any given period, regardless of how often that action occurs during the relevant period.

*6. ARR stands for Annual Recurring Revenue. It is calculated by multiplying the monthly subscription revenue at the end of each quarter by 12. It is a performance indicator for net sales, which are expected to be obtained only from the existing subscription contracts during the 12 months starting the month following the final month of this quarter, based on the assumption that all existing subscriptions will be renewed with the same conditions at the timing of renewal.

(2) Overview of Financial Position during the period

(Assets)

Current assets as of December 31, 2022 were 5,125,877 thousand yen, down 22,970 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 304,702 thousand yen in cash and deposits, despite an increase of 94,273 thousand yen in notes and accounts receivable - trade, and an increase of 187,458 thousand yen in other current assets. Non-current assets were 2,247,426 thousand yen, up 304,973 thousand yen from the end of the previous consolidated fiscal year.

As a result, total assets were 7,373,304 thousand yen, up 282,002 thousand yen from the end of the previous consolidated fiscal year.

(Liabilities)

Current liabilities of December 31, 2022 were 1,990,031 thousand yen, up 108,114 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 67,321 thousand yen in other current liabilities. Non-current liabilities were 1,097,730 thousand yen, down 41,513 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 28,708 thousand yen in long-term debt.

As a result, total liabilities were 3,087,761 thousand yen, up 66,601 thousand yen from the end of the previous consolidated fiscal year.

(Net assets)

Total net assets as of December 31, 2022 were 4,285,542 thousand yen, up 215,401 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to the posting of a net loss attributable to the owners of the parent company of 128,926 thousand yen despite an increase in common stock and capital surplus of 194,102 thousand yen, respectively.

As a result, the equity-to-asset ratio was 57.9% (57.2% at the end of the previous fiscal year).

(3) Consolidated Financial Results Forecasts and Other Forward-looking Statements

There is no change from the previous notice in full-year earnings forecasts for the current fiscal year.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of September 30, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	4,240,577	3,935,874
Notes and accounts receivable - trade	710,444	804,717
Other	197,826	385,285
Total current assets	5,148,848	5,125,877
Non-current assets		
Property and equipment	60,814	63,075
Intangible non-current assets		
Goodwill	1,444,600	1,607,173
Total non-current intangible assets	1,444,600	1,607,173
Investments and other assets		
Investment securities	110,395	110,395
Lease and guarantee deposits	310,218	310,518
Long-term loans to employees	16,414	5,864
Long-term loans to directors	—	10,007
Deferred tax assets	—	26,380
Other	10	114,011
Total investments and other assets	437,038	577,177
Total non-current assets	1,942,452	2,247,426
Total assets	7,091,301	7,373,304
Liabilities		
Current liabilities		
Accounts payable	5,632	7,422
Short-term debt	200,000	258,749
Current portion of long-term debt	513,076	420,509
Accounts payable, other	456,581	517,463
Income taxes payable	32,272	41,054
Contract liabilities	396,699	387,737
Allowance for losses on order received	9,289	21,408
Other	268,366	335,687
Total current liabilities	1,881,916	1,990,031
Long-term liabilities		
Long-term debt	1,126,438	1,097,730
Deferred tax liabilities	12,805	—
Total long-term liabilities	1,139,243	1,097,730
Total liabilities	3,021,160	3,087,761
Net assets		
Shareholders' equity		
Common stock	2,690,028	2,884,130
Capital surplus	4,650,030	4,844,133
Retained earnings (Accumulated deficit)	(3,315,980)	(3,444,907)
Treasury shares	(228)	(279)
Total shareholders' equity	4,023,850	4,283,077
Accumulated other comprehensive income (loss)		
Deferred gains or losses on hedges	29,015	(15,526)
Total accumulated other comprehensive income (loss)	29,015	(15,526)
Stock acquisition rights	5,718	6,575
Non-controlling interests	11,557	11,415
Total net assets	4,070,140	4,285,542
Total liabilities and net assets	7,091,301	7,373,304

(2) Quarterly Consolidated Statements of Income (Loss) and Quarterly Consolidated Statements of Comprehensive Income (Loss)
(Quarterly Consolidated Statement of Income (Loss))
(1st Quarter Consolidated Cumulative Period)

(Thousands of yen)

	Fiscal Year Ended September 30, 2022 (from October 1, 2021 to December 31, 2021)	Fiscal Year Ending September 30, 2023 (from October 1, 2022 to December 31, 2022)
Net sales	1,760,796	1,952,501
Cost of sales	475,295	533,693
Gross profit	1,285,501	1,418,808
Selling, general and administrative expenses	1,465,874	1,566,460
Operating income (loss)	(180,373)	(147,651)
Non-operating income		
Interest income	51	46
Subsidy income	—	74
Commissions received	200	107
Foreign exchange gain	—	14,318
Other	385	1,168
Total non-operating income	636	15,715
Non-operating expenses		
Interest expenses	7,525	6,092
Foreign exchange loss	7,297	—
Other	1,740	1,354
Total non-operating expenses	16,563	7,447
Ordinary income (loss)	(196,300)	(139,383)
Quarterly income (loss) before income taxes	(196,300)	(139,383)
Income taxes - current	1,100	1,100
Total income taxes	1,100	1,100
Quarterly net income (loss)	(197,400)	(140,483)
Quarterly net income (loss) attributable to non-controlling interests	(12,588)	(11,557)
Quarterly net income (loss) attributable to owners of parent	(184,811)	(128,926)

(Quarterly Consolidated Statement of Comprehensive Income (Loss))
(1st Quarter Consolidated Cumulative Period)

(Thousands of yen)

	Fiscal Year Ended September 30, 2022 (from October 1, 2021 to December 31, 2021)	Fiscal Year Ending September 30, 2023 (from October 1, 2022 to December 31, 2022)
Quarterly net income (loss)	(197,400)	(140,483)
Other comprehensive income		
Deferred gains or losses on hedges	(553)	(44,541)
Total other comprehensive income (loss)	(553)	(44,541)
Quarterly comprehensive income (loss)	(197,954)	(185,025)
(Breakdown)		
Quarterly comprehensive income attributable to owners of the parent	(185,365)	(173,468)
Quarterly comprehensive income attributable to non-controlling interests	(12,588)	(11,557)

(3) Notes on Quarterly Consolidated Financial Statements
(Notes regarding Assumption of a Going Concern)

Not applicable.

(Notes on Significant Changes in the Amount of Shareholders' Equity)

At a Board of Directors meeting held on November 8, 2022, the Company resolved to issue new shares restricted stock compensation on December 19, 2022, increasing both common stock and capital surplus in the 1st quarter consolidated cumulative period by 176,104 thousand yen, respectively.

As a result, common stock was 2,884,130 thousand yen, and the capital surplus was 4,844,133 thousand yen as of the end of the 1st quarter consolidated accounting period.

(Change in accounting policies)

Not applicable

(Changes in significant subsidiaries during the current consolidated cumulative period)

Although there was no change in specified subsidiaries, agito, Inc. was included in the scope of consolidation following the acquisition of shares in said company during the current 1st quarter consolidated accounting period, making it a subsidiary

(Additional information)

(Important matters underlying the preparation of quarterly consolidated financial statements)

1. Scope of consolidation

- (1) Number of consolidated subsidiaries: 3
Names of consolidated subsidiaries: Emotion Tech, Inc.
RightTouch Inc.
agito, Inc.

(2) Number of non-consolidated subsidiaries: 0

2. Application of the equity method

Not applicable.

3. Fiscal years, etc. of consolidated subsidiaries

The closing dates of one the Company's consolidated subsidiaries, agito, Inc. differ from the closing dates of the Company's quarterly consolidated accounting periods. As such, agito, Inc.'s quarterly financial statements based on the provisional closing of accounts conducted at the end of December are used in preparing the Company's quarterly consolidated financial statements.

The closing date of the other consolidated subsidiaries is the same as that of the Company.

(Business combinations, etc.)

Merger through acquisition

At a meeting of the Board of Directors held on October 3, 2022, the Company resolved to acquire an equity stake in agito, Inc. and make it a subsidiary. The Company acquired the shares on October 12, 2022.

1. Outline of the merger

- (1) Name and business of the acquired company
agito, Inc. (hereinafter, agito)
Planning, development, and operation of marketing technologies

(2) Reason for the merger

The Company decided to make agito, Inc. a consolidated subsidiary because we determined welcoming it into our group will allow us to further expand our services in the area of Internet advertising and promote the expansion of our business.

We expect to achieve the following with agito, Inc. as part of the Plaid Group:

(a) Accelerate the use of first party customer data in Internet advertising

Internet advertising has traditionally focused on maximizing conversion (acquisition) through advertising (attracting customers). As such, it has been difficult to measure intrinsic results such as customer lifetime value (LTV) and Net Promoter Score^{SM*}, metrics

which determine whether users who viewed ads were satisfied with the experience and continued to use the service.

Moreover, the target of ad distribution was mainly an unspecified number of people using third party cookies. As a result, it provided an advertisement contact experience that was not pleasant for the user, sometimes damaging the corporate image and brand.

Plaid's KARTE Signals is a product that solves the above issues by using first party customer data, and at the same time, improves the user's advertising experience ahead of improving accuracy of corporate advertising measures. By linking KARTE Signals with agito's Databeat, it will be possible to comprehensively visualize the data of the major Internet advertising media in Japan and the users who have come into contact with the ads. It will now be possible to automatically picture on the same dashboard whether the numerous advertising campaigns carried out in various media and the behavioral changes of users who come into contact with them have generated intrinsic results. This not only optimizes advertising budget, but also reduces time spent for advertising staff (more details in (b)). Engagement with users can be improved by delivering ads that match users at the right time.

Note:

Net Promoter®, NPS®, NPS Prism®, and the NPS-related emoticons are registered trademarks of Bain & Company, Inc., Satmetrix Systems, Inc., and Fred Reichheld.

(b) Creating ad reports and automating operational work

The work of Internet advertising is extremely complicated. The people in charge are busy with work such as creating the ads, extracting and tabulating data, and creating reports on a daily basis. By linking together the two products of KARTE Signals and Databeat, the work of creating reports can be automated. Moving forwards, we plan to partially automate operational work which will significantly reduce the time staff spend on Internet advertising. Plaid and agito aim to allow our clients to use the time freed up from these automations on analyzing measures that lead to a more improved understanding of users and intrinsic results, and on preparing advertising plans that reflect these improvements.

(c) Expanding sales of KARTE Signals to Databeat customers

Databeat has been used by 234 companies, mainly Internet advertising agencies, in Japan (as of the end of September 2022). Going forward, we will focus on expanding sales of KARTE Signals to companies that are using Databeat, and will also develop sales channels through distributors.

(3) Date of merger

October 12, 2022 (Deemed acquisition date: December 31, 2022)

(4) Legal form of merger

Acquisition of shares in exchange for cash and underwriting capital increase by third-party allotment

(5) Name of company after merger

No change.

(6) Percentage of voting rights acquired

66.76%

(7) Main grounds for deciding on acquired company

The Company acquired the shares in consideration of cash.

2. Period of performance of the acquired company included in the consolidated financial statements

Since only the balance sheet is consolidated for the current 1st quarter consolidated cumulative period, the business results of the acquired company are not included.

3. Acquisition cost of the acquired company and breakdown by type of consideration

<u>Consideration for acquisition (Cash)</u>	<u>225,626 thousand yen</u>
Acquisition cost	225,626 thousand yen

4. Details and amounts of major acquisition-related expenses

Advisory fees, etc. 10,453 thousand yen

5. Amount of goodwill, basis of recognizing goodwill, and the method and period of amortization

(1) Amount of goodwill 202,700 thousand yen

The amount of goodwill is temporarily calculated since the allocation of acquisition cost has not been completed as of the end of the first quarter of the current consolidated fiscal year.

(2) Basis of recognizing goodwill

Goodwill mainly represents the expected future profitability of agito's business.

(3) Method and period of amortization

The investment will be amortized on a straight-line basis over the period during which it is expected to generate returns. The amortization period is being calculated.

6. Amount of assets and liabilities assumed on merger date and their main breakdown

Current assets	261,005 thousand yen
<u>Non-current assets</u>	<u>26,727 thousand yen</u>
Total assets	287,733 thousand yen
Current liabilities	187,950 thousand yen
<u>Long-term liabilities</u>	<u>65,443 thousand yen</u>
Total liabilities	253,393 thousand yen