



Consolidated Financial Results for the 2nd Quarter of the Fiscal Year Ending September 30, 2024 (Japanese GAAP)

May 10, 2024

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 Scheduled date to file quarterly securities report: May 10, 2024 Scheduled date to commence dividend payment: —
 Preparation of supplementary materials : Yes
 for quarterly results
 Holding of financial results meeting : Yes (For institutional investors and securities analysts)

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

1. Consolidated Financial Results for the 2nd Quarter of the Fiscal Year Ending September 30, 2024 (from October 1, 2023 to March 31, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes)

	Net sales		Adjusted operating income (loss)		Operating income (loss)		Ordinary income (loss)		Net income (loss) attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended										
March 31, 2024	5,264	28.4	218	—	90	—	60	—	54	—
March 31, 2023	4,100	—	(43)	—	(209)	—	(220)	—	(267)	—

Note(s): 1. Comprehensive income: Six months ended : 4 millions of yen (-%); March 31, 2024 Six months ended : (302) millions of yen (-%) March 31, 2023

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

	Net income (loss) per share	Diluted income (loss) per share
Six months ended	Yen	Yen
March 31, 2024	1.36	1.33
March 31, 2023	(6.88)	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
March 31, 2024	6,687	3,007	43.3
September 30, 2023	6,219	2,748	41.7

Reference: Equity March 31, 2024: 2,896 millions of yen September 30, 2023: 2,592 millions of yen

2. Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of Third quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal yer ended September 30, 2023	—	0.00	—	0.00	0.00
Fiscal yer ending September 30, 2024	—	0.00			
Fiscal yer ending September 30, 2024 (Forecast)			—	0.00	0.00

Note(s): Revisions to the forecasts of cash dividends most recently announced: None

3. Forecast of Consolidated Results for Fiscal Year Ending September 30, 2024
 (from October 1, 2023 to September 30, 2024)

(Percentages indicate year-on-year changes)

	Net sales		Adjusted operating income (loss)	
	Millions of yen	%	Millions of yen	%
Full Year	10,809	25.2	275	—

Note(s): 1. Revisions to the forecast of results most recently announced: Yes

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 current consolidated cumulative period : None

(2) Application of specific accounting methods 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)
 b. Number of treasury shares at the end of the period
 c. Average number of outstanding shares during the period (cumulative from the beginning of the fiscal year)

As of March 31, 2024	40,289,944 shares	As of September 30, 2023	39,343,617 shares
As of March 31, 2024	22,817 shares	As of September 30, 2023	1,417 shares
As of March 31, 2024	39,710,563 shares	As of March 31, 2023	38,928,472 shares

* 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 2nd 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, at the end of the current 2nd quarter consolidated fiscal period, the Company’s ARR^{*6} was 8,887,341 thousand yen. Meanwhile, the Company’s financial results for the same period were net sales of 5,264,996 thousand yen (a 28.4 increase year-on-year), an operating profit of 90,148 thousand yen (compared to operating loss of 209,984 thousand yen in the same period of the previous year), an ordinary profit of 60,798 thousand yen (compared to ordinary loss of 220,430 thousand yen in the same period of the previous year), and a net profit attributable to the parent company of 54,092 thousand yen (compared to a net loss attributable to owners of parent of 267,657 thousand yen in the same period of the previous year).

The Group’s reportable segments are the SaaS business and the advertising business. However, segment information has been omitted as the advertising business accounts for only a small percentage of all segment, making segment information immaterial as a disclosure.

- Notes:
1. 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.
 2. 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.”
 3. 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.
 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 March 31, 2024 were 5,788,095 thousand yen, up 487,594 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to increases of 302,097 thousand yen in cash and deposits and 208,409 thousand yen in notes and accounts receivable-trade, respectively. Non-current assets were 899,565 thousand yen, down 19,327 thousand yen from the end of the previous consolidated fiscal year. This was due to an increase of 8,614 thousand yen in property and equipment and a decrease of 27,046 thousand yen in goodwill.

As a result, total assets were 6,687,661 thousand yen, up 468,267 thousand yen from the end of the previous consolidated fiscal year.

(Liabilities)

Current liabilities as of March 31, 2024 were 2,703,261 thousand yen, up 241,733 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 313,900 thousand yen in current portion of long-term debt. Non-current liabilities were 977,213 thousand yen, down 31,820 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 30,004 thousand yen in long-term debt.

As a result, total liabilities were 3,680,474 thousand yen, up 209,913 thousand yen from the end of the previous consolidated fiscal year.

(Net assets)

Total net assets as of March 31, 2024 were 3,007,187 thousand yen, up 258,353 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 45,664 thousand yen in non-controlling interests balanced against increases in common stock and capital surplus of 127,022 thousand yen each. As a result, the equity-to-asset ratio was 43.3% (41.7% at the end of the previous fiscal year).

(3) Explanation of Cash Flows

Cash and cash equivalents (“cash”) at the end of the Q2 consolidated accounting period increased by 302,097 thousand yen from the end of the previous consolidated fiscal year to 4,129,457 thousand yen. The status of each cash flow and their main factors behind each are as follows.

Cash flow from operating activities

Cash used in operating activities was 49,679 thousand yen (down 221,723 thousand yen YoY). This was mainly due to an increase in trade receivables of 208,409 thousand yen, etc.

Cash flow from investing activities

Cash used in investing activities was 17,070 thousand yen (down 67,954 thousand yen YoY). This was mainly due to the purchase of property and equipment of 23,920 thousand yen.

Cash flow from financing activities

Cash provided by financing activities amounted to 368,846 thousand yen (down 563,997 thousand yen YoY). This was mainly due to proceeds from long-term debt of 400,000 thousand yen.

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

Please refer to the “Announcement of Revision of Full-year Consolidated Earnings Guidance” released today (May 10, 2024) for the revised consolidated earnings forecasts for the fiscal year ending September 30, 2024, which were announced on November 14, 2023

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	Previous consolidated fiscal year (ended Sep. 30, 2023)	2nd quarter consolidated accounting period (ended Mar. 31, 2024)
Assets		
Current assets		
Cash and deposits	3,827,359	4,129,457
Notes and accounts receivable trade	980,467	1,188,877
Other	492,674	469,761
Total current assets	5,300,501	5,788,095
Non-current assets		
Property, plant and equipment	57,597	66,211
Intangible fixed assets		
Goodwill	339,833	312,787
Total intangible fixed assets	339,833	312,787
Investments and other assets		
Investment securities	56,137	52,454
Bankruptcy reorganization claims, etc.	3,388	3,121
Deferred tax assets	33,225	30,666
Lease and guarantee deposits	303,862	294,823
Long-term loans to employees	4,229	3,131
Long-term loans to directors	10,007	10,007
Other	113,999	129,483
Allowance for doubtful receivables	(3,388)	(3,121)
Total investments and other assets	521,461	520,566
Total non-current assets	918,893	899,565
Total assets	6,219,394	6,687,661
Liabilities		
Current liabilities		
Accounts payable	9,150	10,079
Short-term debt	1,660	—
Current portion of long-term debt	384,628	698,528
Accounts payable - other	742,290	770,598
Income taxes payable	55,253	91,234
Contract liabilities	504,487	354,897
Allowance for losses on order received	54,429	23,990
Other	709,628	753,932
Total current liabilities	2,461,527	2,703,261
Long-term liabilities		
Long-term debt	990,540	960,536
Deferred tax liabilities	18,493	16,677
Total long-term liabilities	1,009,033	977,213
Total liabilities	3,470,561	3,680,474

(Thousands of yen)

	Previous consolidated fiscal year (ended Sep. 30, 2023)	2nd quarter consolidated accounting period (ended Mar. 31, 2024)
Net assets		
Shareholders' equity		
Common stock	2,945,895	3,072,917
Capital surplus	5,029,365	5,156,388
Retained earnings	(5,424,590)	(5,370,498)
Treasury shares	(279)	(281)
Total shareholders' equity	2,550,391	2,858,525
Accumulated other comprehensive income (loss)		
Deferred gains or losses on hedges	41,904	37,787
Total accumulated other comprehensive income (loss)	41,904	37,787
Stock acquisition rights	7,147	7,147
Non-controlling interests	149,390	103,726
Total net assets	2,748,833	3,007,187
Total liabilities and net assets	6,219,394	6,687,661

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statement of Income)
(2nd Quarter Consolidated Cumulative Period)

(Thousands of yen)

	Previous 2nd Quarter Consolidated Cumulative Period (from October 1, 2022 to March 31, 2023)	Current 2nd Quarter Consolidated Cumulative Period (from October 1, 2023 to March 31, 2024)
Net sales	4,100,273	5,264,996
Cost of sales	1,095,365	1,524,436
Gross profit	3,004,907	3,740,559
Selling, general and administrative expenses	3,214,891	3,650,411
Operating income (loss)	(209,984)	90,148
Non-operating income		
Interest income	108	95
Subsidy income	148	—
Commissions received	107	—
Foreign exchange gain	14,323	—
Point redemption income	—	1,856
Other	1,705	165
Total non-operating income	16,394	2,117
Non-operating expenses		
Interest expenses	12,152	7,110
Restricted stock-related expenses	—	7,418
Foreign exchange loss	—	4,247
Commission fee	11,082	4,166
Other	3,604	8,523
Total non-operating expenses	26,839	31,466
Ordinary income (loss)	(220,430)	60,798
Extraordinary losses		
Loss on valuation of investment securities	45,791	3,683
Total extraordinary losses	45,791	3,683
Quarterly net income (loss) before income taxes	(266,221)	57,115
Income taxes - current	6,166	46,127
Income taxes - deferred	1,469	2,559
Total income taxes	7,635	48,687
Quarterly net income (loss)	(273,857)	8,428
Quarterly net loss attributable to non-controlling interests	(6,199)	(45,664)
Quarterly net income (loss) attributable to owners of parent	(267,657)	54,092

(Quarterly Consolidated Statement of Comprehensive Income)
(2nd Quarter Consolidated Cumulative Period)

(Thousands of yen)

	Previous 2nd Quarter Consolidated Cumulative Period (from October 1, 2022 to March 31, 2023)	Current 2nd Quarter Consolidated Cumulative Period (from October 1, 2023 to March 31, 2024)
Net income (loss)	(273,857)	8,428
Other comprehensive income		
Deferred gains or losses on hedges	(28,453)	(4,116)
Total other comprehensive income (loss)	(28,453)	(4,116)
Comprehensive income (loss)	(302,310)	4,311
(Breakdown)		
Comprehensive income attributable to owners of the parent	(296,110)	49,976
Comprehensive income attributable to non-controlling interests	(6,199)	(45,664)

(3) Consolidated Quarterly Statement of Cash Flows

(Thousands of yen)

	Fiscal Year Ended September 30, 2023 (from October 1, 2022 to March 31, 2023)	Fiscal Year Ending September 30, 2024 (from October 1, 2023 to March 31, 2024)
Cash flow from operating activities		
Net income (loss) before income taxes	(266,221)	57,115
Goodwill amortization	88,701	27,046
Depreciation costs	17,882	17,748
Stock-based compensation expense	77,737	101,536
Deposit amortization expense	—	3,274
Loss on valuation of investment securities	45,791	3,683
Increase (decrease) in allowance for losses on order received	9,932	(30,438)
Interest income	(108)	(95)
Subsidy income	(148)	—
Commissions received	(107)	—
Interest expenses	12,152	7,110
Commission fee	11,082	4,166
Loss on sales of property and equipment	198	—
Increase in notes and accounts receivable - trade	(23,865)	(208,409)
Decrease (increase) in prepaid expenses	(8,032)	234
Increase (decrease) in accounts payable, other	(9,795)	25,531
Increase (decrease) in accrued consumption taxes	(2,127)	21,964
Decrease in contract liabilities	(156,286)	(149,589)
Other	2,418	91,422
Sub total	(200,797)	(27,699)
Interest and dividend income received	108	95
Interest and guarantee deposits paid	(18,914)	(11,644)
Subsidy income received	148	—
Fees and commission received	107	—
Income taxes paid	(2,376)	(10,430)
Net cash used in operating activities	(221,723)	(49,679)
Cash flow from investing activities		
Purchase of property and equipment	(19,613)	(23,920)
Payments for acquisition of shares of subsidiaries resulting in change in scope of consolidation	(49,416)	—
Proceeds from collection of lease and guarantee deposits	—	5,763
Proceeds from collection of long-term loans to employees	1,075	1,086
Net cash used in investing activities	(67,954)	(17,070)
Cash flow from financing activities		
Repayments of short-term debt	(202,502)	(1,660)
Proceeds from long-term debt	680,997	400,000
Repayments of long-term debt	(1,378,151)	(116,104)
Proceeds from deposits received	300,000	—
Syndicated loan fees paid	(3,246)	—
Proceeds from issuance of shares resulting from exercise of stock acquisition rights	38,954	86,613
Payments for acquisition of treasury shares	(50)	(2)
Net cash provided by (used in) financing activities	(563,997)	368,846
Net increase (decrease) in cash and cash equivalents	(853,675)	302,097
Cash and cash equivalents at beginning of year	4,240,577	3,827,359
Cash and cash equivalents at end of quarter	3,386,901	4,129,457

(4) 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 the Board of Directors meeting held on February 22, 2024, the Company resolved to issue new shares as restricted stock compensation on March 25, 2024, resulting in an increase of 83,439 thousand yen in both common stock and capital surplus during the second quarter consolidated cumulative period. As a result, common stock was 3,072,917 thousand yen, and the capital surplus was 5,156,388 thousand yen as of the end of March 31, 2024.