

English Translation

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Consolidated Financial Results for the Fiscal Year Ended September 30, 2021 (Japanese GAAP)

November 9, 2021

Company Name: PLAID, Inc.
Listing: Tokyo Stock Exchange
Securities code: 4165
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Representative: Kenta Kurahashi, Representative Director and CEO
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Scheduled date of ordinary general meeting of shareholders: December 21, 2021
Scheduled date to commence dividend payment: —
Scheduled date to file annual securities report: December 22, 2021
Preparation of supplementary materials on financial results: Yes
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 Fiscal Year Ended September 30, 2021 (from October 1, 2020 to September 30, 2021)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss) attributable to parent's shareholders:	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended September 30, 2021	5,444	—	170	—	(105)	—	(106)	—
September 30, 2020	—	—	—	—	—	—	—	—

Note: Comprehensive income Fiscal year ended September 30, 2021 (105) millions of yen (—%)
Fiscal year ended September 30, 2020 — millions of yen (—%)

	Net income (loss) per share	Diluted income per share	Return on equity (ROE)	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended September 30, 2021	(2.86)	—	(2.2)	(1.5)	3.1
September 30, 2020	—	—	—	—	—

Reference: Share of profit (loss) of entities accounted for using equity method Fiscal year ended September 30, 2021 — millions of yen

Fiscal year ended September 30, 2020 — millions of yen

Note: The Company started reporting consolidated financial statements from the fiscal year ended September 30, 2021, therefore does not present the financial results for the previous fiscal year and year-on-year changes. Further, both return on equity and ordinary income to total assets for the fiscal year ended September 30, 2021 were calculated based on the year-end equity and year-end total assets respectively, because this is the first time the Company reported a consolidated balance sheet.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net asset value per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2021	6,983	4,953	69.6	128.30
September 30, 2020	—	—	—	—

Reference: Equity As of September 30, 2021 4,861 millions of yen
As of September 30, 2020 — millions of yen

The Company started reporting consolidated financial statements from the fiscal year ended September 30, 2021, therefore does not present the financial results for the previous fiscal year.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investment activities	Cash flows from financial activities	Cash and cash equivalents year-end balance
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended September 30, 2021	410	(1,330)	2,999	4,172
September 30, 2020	—	—	—	—

The Company started reporting consolidated financial statements from the fiscal year ended September 30, 2021, therefore does not present the financial results for the previous fiscal year.

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2. Dividends

	Dividend per share					Total dividends (Annual)	Dividend payout ratio (Consolidated)	Dividends to net assets (Consolidated)
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended September 30, 2020	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ended September 30, 2021	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ending September 30, 2022 (Forecast)	—	0.00	—	0.00	0.00		—	

3. Forecast of Consolidated Results for Fiscal Year Ending September 30, 2022 (from October 1, 2021 to September 30, 2022) (Percentages indicate year-on-year changes.)

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss) attributable to parent's shareholders		Net income (loss) per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending September 30, 2022	7,419 ~7,828	36.3 ~43.8	(1,565) ~(1,343)	—	(1,694) ~(1,473)	—	(1,694) ~(1,473)	—	(44.72) ~(38.88)

* Notes

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

New Subsidiary: 1 (Name: Emotion Tech Inc.)

(2) 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 other reasons : None

c. Changes in accounting estimates: None

d. Restatement: None

(3) Number of issued shares (Common shares)

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

As of September 30, 2021	37,890,900shares
As of September 30, 2020	35,408,900shares

b. Number of treasury shares at the end of the period

As of September 30, 2021	25shares
As of September 30, 2020	—shares

c. Average number of outstanding shares during the period

As of September 30, 2021	37,272,240shares
As of September 30, 2020	35,265,267shares

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Reference: Overview of non-consolidated results

1. Non-Consolidated Financial Results for Fiscal Year Ended September 30, 2021 (from October 1, 2020 to September 30, 2021)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended September 30, 2021	5,444	35.9	170	—	(84)	—	(161)	—
September 30, 2020	4,007	36.4	(1,079)	—	(1,205)	—	(1,207)	—

	Net income (loss) per share	Diluted income per share
	Yen	Yen
Fiscal year ended September 30, 2021	(4.33)	—
September 30, 2020	(34.24)	—

(2) Non-consolidated financial position

	Total assets		Net assets		Net assets		Net asset value per share
	Millions of yen		Millions of yen		%		Yen
Fiscal year ended September 30, 2021	6,584		4,809		73.0		126.86
September 30, 2020	3,068		1,604		52.3		(78.17)

Reference: Equity As of September 30, 2021 4,806 millions of yen
As of September 30, 2020 1,604 millions of yen

* This financial results report is out of the scope of audits 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.

Table of Contents

1. Qualitative Information Regarding Results for the period	2
(1) Overview of Operating Results during the period	2
(2) Overview of Financial Position during the period	2
(3) Overview of Cash Flows during the period	3
(4) Future Outlook	3
2. Basic Concept Regarding Selections of Accounting Standards	4
3. Consolidated Financial Statements and Significant Notes Thereto	5
(1) Consolidated Balance Sheet	5
(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income	7
Consolidated Statement of Income	7
Consolidated Statement of Comprehensive Income	8
(3) Consolidated Statement of Changes in Shareholders' Equity	9
(4) Consolidated Statement of Cash Flows	10
(5) Notes on Consolidated Financial Statements	11
(Notes Regarding Assumption of a Going Concern)	11
(Mergers and Acquisitions)	12
(Segment Information)	14
(Per Share Information)	15
(Significant Subsequent Events)	16

1. Qualitative Information Regarding Results for the period

(1) Overview of Operating Results during the period

The Group started reporting consolidated financial statements from the current consolidated fiscal year, therefore has not conducted a comparative analysis with the same consolidated period of the previous year or the end of the previous consolidated fiscal year.

The digital marketing services market, which the SaaS (Software as a Service) business of the Company belongs to, continues to grow. On the other hand, as a result of the introduction of various marketing tools by each company, the marketing industry is facing the challenge of "fragmented customer experience" This presents difficulties when companies attempt to take the customer's point of view and consider what kind of experience would satisfy the customer. This challenge has been exacerbated by the ongoing marketing trend in which the customer's existence is only recognized as a pile of data and figures.

The Company offers KARTE a customer experience SaaS platform, and is continuously enhancing the functions of KARTE to "understand each and every customer" in a multifaceted manner including both quantitative and qualitative aspects, and is reinforcing its analysis and action functions. KARTE is being utilized not only in the digital marketing services domain, but also in a number of other divisions like customer support and sales since it offers a path to the customer's viewpoint, and the service's user companies are cropping up more and more across different industries.

During the consolidated fiscal year, the Company strengthened the support for existing customers and further promoted sales of optional products, and made upfront investment with an eye on future growth such as marketing and talent acquisition as well.

Consequently, as of September 30, 2021, ARR (Note 1) amounted to 5,807,400 thousand yen, the number of subscriptions (Note 2) was 806, average revenue per account (Note 3) was 600 thousand yen, the number of customers utilizing our services and products was 538, the average revenue per customer (Note 4) was 899 thousand yen, and the subscription revenue ratio (Note 5) came to 95.3%.

As a result of the above, net sales for the current consolidated period totaled 5,444,810 thousand yen. On the profit front, operating income was 170,616 thousand yen, as solid sales and an improvement in the gross profit margin due to more efficient use of servers outweighed upfront investments for future growth. However, as a result of posting listing expenses related to being listed on the Tokyo Stock Exchange Mothers market as temporary expenses, the Company recorded an ordinary loss of 105,786 thousand yen. As for extraordinary losses, while a loss on valuation of investment securities was recorded as an extraordinary loss, a gain on step acquisitions was recorded as an extraordinary gain, resulting in a net loss attributable to shareholders of the parent company of 106,650 thousand yen.

The description by segment is omitted because the SaaS business is the only segment of the Group.

- Notes: 1. ARR: Annual Recurring Revenue. It is calculated by multiplying monthly subscription revenue at the end of each quarter by 12. This figure serves as a performance indicator for net sales, expected to be obtained over the 12 months starting from the month following the final month of the fiscal year only from existing subscriptions. This assumes all existing subscriptions will be renewed at their various renewal timings.
2. Refers to the total number of websites and smartphone applications implementing our services and products at the end of each quarter.
3. It is calculated by dividing monthly subscription revenue at the end of each quarter by the number of subscriptions as of the end of the same period.
4. It is calculated by dividing monthly subscription revenue at the end of each quarter by the number of customers implementing our services and products as of the end of the same period.
5. Refers to the ratio of the total amount of monthly charges for KARTE that can be earned on a recurring basis to net sales.

(2) Overview of Financial Position during the period

(Current assets)

Current assets as of September 30, 2021, were 4,956,539 thousand yen. This largely broke down into cash and deposits totaling 4,172,117 thousand yen and notes and accounts receivable-trade totaled 645,983 thousand yen.

(Non-current assets)

Non-current assets as of September 30, 2021, were 2,027,410 thousand yen. This largely broke down into goodwill totaling 1,605,111 thousand yen, lease and guarantee deposits totaling 285,377 thousand yen, and investment securities totaling 84,645 thousand yen.

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(Current liabilities)

Current liabilities as of September 30, 2021, were 1,640,271 thousand yen. This largely broke down into accounts payable, other totaling 583,510 thousand yen, current portion of long-term debt totaling 326,576 thousand yen, short-term debt totaling 200,000 thousand yen, and deferred income totaling 165,019 thousand yen.

(Non-current liabilities)

Non-current liabilities as of September 30, 2021, were 390,219 thousand yen. This broke down into long-term debt totaling 389,514 thousand yen and deferred tax liability totaling 705 thousand yen.

(Net assets)

Total net assets as of September 30, 2021, were 4,953,459 thousand yen. This largely broke down into common stock totaling 2,642,620 thousand yen, capital surplus totaling 4,602,623 thousand yen, and retained earnings (accumulated deficit) totaling -2,385,202 thousand yen.

(3) Overview of Cash Flows during the period

Cash and cash equivalents (hereinafter referred to as, “cash”) as of September 30, 2021, were 4,172,117 thousand yen.

The status of cash flows and the factors affecting them during the current consolidated fiscal year are as follows.

(Cash Flows from Operating Activities)

Net cash obtained from operating activities was 410,902 thousand yen. This was mainly due to factors such as a loss on valuation of investment securities of 70,283 thousand yen and of an increase in accounts payable of 144,958 thousand yen, despite a net loss before income taxes of 100,322 thousand yen resulting from, the listing expenses and upfront investments in advertising expenses for new customer acquisition and personnel expenses, the listing expenses of 200,417 thousand yen, an increase in trade receivables of 126,112 thousand yen and a gain on step acquisitions of 75,746 thousand yen, etc.

(Cash Flows from Investing Activities)

Net Cash used in investing activities amounted to 1,330,001 thousand yen. This was mainly due to expenditures of 1,207,824 thousand yen for the acquisition of shares of subsidiaries resulting in changes to the scope of consolidation and expenditures of 84,645 thousand yen for the acquisition of investment securities.

(Cash Flows from Financing Activities)

Net cash obtained from financing activities amounted to 2,999,518 thousand yen. This was mainly due to the proceeds of 3,312,240 thousand yen from the issuance of new shares in conjunction with the listing on the Tokyo Stock Exchange Mothers market, which offset the expenditure of 202,640 thousand yen for listing expenses and 317,720 thousand yen for the repayment of long-term debt.

(4) Future Outlook

The Company has decided to provide a range for our full-year earnings forecasts for the fiscal year ending September 30, 2022, reflecting upside-downside potentials of existing businesses and uncertainty of new businesses.

The lower limit for the Group's net sales forecast for the fiscal year ending September 30, 2022, was 7,419 million yen (up 36.3% from the fiscal year ended September 30, 2021). The upper limit for this same forecast was 7,828 million yen (up 43.8% from the fiscal year ended September 30, 2021).

As for operating loss, due to the strategic investments for growth in the fiscal year ending September 30, 2023 and beyond, the Company expect the upper and lower limits of operating loss to be 1,565 million yen and 1,343 million yen (operating income of 170 million yen for the fiscal year ended September 30, 2021). Under these circumstances, the Company expect the upper and lower limits of ordinary loss to be 1,694 million yen and 1,473 million yen (ordinary loss of 105 million yen for the fiscal year ended September 30, 2021) and the upper and lower limits of net loss attributable to shareholders of the parent company to be 1,694 million yen and 1,473 million yen (net loss attributable to shareholders of the parent company of 106 million yen for the fiscal year ended September 30, 2021).

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2. Basic Concept Regarding Selections of Accounting Standards

In consideration of the comparability of financial statements from period to period and between companies, the Group will report consolidated financial statements in accordance with Japanese GAAP for the time being.

The Company will consider the application of International Financial Reporting Standards, taking into consideration various domestic and international circumstances in an appropriate manner.

3. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheet

(Thousands of yen)

	As of September 30, 2021
Assets	
Current assets	
Cash and deposits	4,172,117
Notes and accounts receivable - trade	645,983
Other	138,963
Allowance for doubtful receivables	(525)
Total current assets	4,956,539
Non-current assets	
Property and equipment	
Buildings	26,421
Accumulated depreciation	(26,176)
Buildings (Net)	245
Tools, furniture, and fixtures	125,875
Accumulated depreciation	(92,414)
Tools, furniture, and fixtures (Net)	33,461
Total property and equipment	33,706
Intangible fixed assets	
Goodwill	1,605,111
Total intangible fixed assets	1,605,111
Investments and other assets	
Investment securities	84,645
Deposits and guarantees received	285,377
Long-term loans to employees	18,570
Total investments and other assets	388,593
Total non-current assets	2,027,410
Total	6,983,950

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(Thousands of yen)

As of
September 30, 2021

Liabilities	
Current liabilities	
Accounts payable	5,125
Short-term debt	200,000
Current portion of long-term debt	326,576
Accounts payable - other	583,510
Total income taxes	58,300
Deferred income	165,019
Other	301,738
Total current liabilities	1,640,271
Non-current liabilities	
Long-term debt	389,514
Deferred tax liability	705
Total non-current liabilities	390,219
Total liabilities	2,030,490
Net assets	
Shareholders' equity	
Common stock	2,642,620
Capital surplus	4,602,623
Retained earnings (Accumulated deficit)	(2,385,202)
Treasury shares	(114)
Total shareholders' equity	4,859,926
Accumulated other comprehensive income (loss)	
Deferred gains (losses) on hedges	1,598
Total accumulated other comprehensive income	1,598
Stock acquisition right	2,287
Non-controlling interests	89,647
Total net assets	4,953,459
Total liabilities and net assets	6,983,950

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
(Consolidated Statement of Income)

(Thousands of yen)

	Fiscal year ended September 30, 2021
Net sales	5,444,810
Cost of sales	1,451,335
Gross profit	3,993,474
Selling, general and administrative expenses	3,822,857
Operating income (loss)	170,616
Non-operating income	
Interest income	44
Subsidy income	3,998
Fees and commission received	770
Gain on sales of fixed assets	1,338
Other	479
Total non-operating income	6,630
Non-operating expenses	
Interest expenses	13,523
Commissions paid	42,000
Listing expenses	200,417
Other	27,092
Total non-operating expenses	283,033
Ordinary income (loss)	(105,786)
Extraordinary income	
Gain on step acquisitions	75,746
Total extraordinary income	75,746
Extraordinary losses	
Loss on valuation of investment securities	70,283
Total extraordinary losses	70,283
Income (loss) before income taxes	(100,322)
Income taxes - current	6,328
Total income taxes	6,328
Net loss	(106,650)
Net loss attributable to parent's shareholders	(106,650)

(Consolidated Statement of Comprehensive Income)

(Thousands of yen)

Fiscal year ended
September 30, 2021

Net income (loss)	(106,650)
Other comprehensive income	
Deferred gains (losses) on hedges	1,598
Total other comprehensive income	1,598
Comprehensive income	(105,052)
(Breakdown)	
Comprehensive income attributable to parent's shareholders' equity	(105,052)
Comprehensive income attributable to non-controlling interests	-

(3) Consolidated Statement of Changes in Shareholders' Equity

Fiscal year ended September 30, 2021

(Thousands of yen)

	Shareholders' equity:				
	Common stock	Capital surplus	Retained earnings (Accumulated deficit)	Treasury shares	Total shareholders' equity
Balance at the beginning of period	961,321	2,921,324	(2,278,551)	-	1,604,094
Change during the period					
Issuance of new shares	1,656,120	1,656,120			3,312,240
Issuance of new shares (Execution of stock acquisition right)	25,179	25,179			50,358
Net loss attributable to parent's shareholders			(106,650)		(106,650)
Acquisition of treasury shares				(114)	(114)
Changes in items other than shareholders' equity (Net)					
Total change	1,681,299	1,681,299	(106,650)	(114)	3,255,832
Year-end balance	2,642,620	4,602,623	(2,385,202)	(114)	4,859,926

	Accumulated other comprehensive income (loss)		Stock acquisition right	Non-controlling interests	Total net assets
	Deferred gains (losses) on hedges	Total accumulated other comprehensive income (loss)			
Balance at the beginning of period	-	-	-	-	1,604,094
Change during the period					
Issuance of new shares					3,312,240
Issuance of new shares (Execution of stock acquisition right)					50,358
Net loss attributable to parent's shareholders					(106,650)
Acquisition of treasury shares					(114)
Changes in items other than shareholders' equity (Net)	1,598	1,598	2,287	89,647	93,533
Total change	1,598	1,598	2,287	89,647	3,349,365
Year-end balance	1,598	1,598	2,287	89,647	4,953,459

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	Fiscal year ended September 30, 2021
Cash flows from operating activities	
Income (loss) before income taxes	(100,322)
Loss (gain) on step acquisitions	(75,746)
Depreciation and amortization	23,384
Stock-based compensation expenses	2,287
Loss (gain) on valuation of investment securities	70,283
Increase (decrease) in the allowance for doubtful receivables	(975)
Increase (decrease) in the allowance for losses on orders received	(2,634)
Interest income	(44)
Subsidy income	(3,998)
Fees and commission received	(770)
Interest expenses	13,523
Commission fee	42,000
Listing expenses	200,417
Loss (gain) on sales of fixed assets	(1,338)
Decrease (increase) in accounts receivable, trade	(126,112)
Decrease (increase) in prepaid expenses	(47,983)
Increase (decrease) in accounts payable, other	144,958
Increase (decrease) in accrued consumption taxes	117,964
Increase (decrease) in deferred income	90,585
Other	76,431
Subtotal	421,908
Interest received	44
Subsidy income received	3,998
Fee and commission received	770
Interest expenses paid	(13,523)
Income taxes paid	(2,296)
Net cash provided by (used in) operating activities	410,902
Cash flows from investing activities	
Purchase of investment securities	(84,645)
Purchase of property and equipment	(19,787)
Proceeds from the sale of property and equipment	2,960
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,207,824)
Payments of long-term loans to employees	(20,888)
Proceeds from collections on long-term loans to employees	183
Net cash provided by (used in) investing activities	(1,330,001)
Cash flows from financing activities	
Proceeds from short-term debt	200,000
Repayment of short-term debt	(200,000)
Proceeds from long-term debt	198,000
Repayments of long-term debt	(317,720)
Syndicated loan fees paid	(40,000)
Proceeds from issuance of stock	3,312,240
Proceeds from issuance of shares resulting from exercise of share acquisition rights	49,753
Payments of listing expenses	(202,640)
Purchase of treasury stock	(114)
Net cash provided by (used in) financing activities	2,999,518
Net Increase (decrease) in cash and cash equivalents	2,080,419
Cash and cash equivalents at beginning of year	2,091,698
Cash and cash equivalents at end of year	4,172,117

(5) Notes on Consolidated Financial Statements
(Notes Regarding Assumption of a Going Concern)
Not applicable.

(Mergers and Acquisitions)

(Acquisitions)

At a meeting of the Board of Directors held on August 27, 2021, the Company made a resolution to acquire a portion of the shares of Emotion Tech Inc. and make it a subsidiary, and acquired the shares on September 28, 2021.

1. Summary of the acquisition

(1) Name and business of the acquired company

Name of the acquired company: Emotion Tech Inc.

Details of business: Developments and operations of Customer experience (CX) management cloud “EmotionTech CX” and employee experience (EX) management cloud “EmotionTech EX”

(2) Main reason for the acquisition

Emotion Tech provides SaaS products and consulting services to help companies acquire, analyze, and improve their NPS® (Net Promoter Score)*, based on the NPS®, which has been developed in Europe and the United States as an indicator with a high correlation to business performance, and is being increasingly adopted by companies in Japan. eNPS (Employee Net Promoter Score) is a similar product diverted toward company employees from NPS®. This service aims to improve business performance and to prevent employee resignation by converting loyalty and recommendation of customer and service user to data.

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

Against the background of changing consumer environments such as digitization of information, the survey market including NPS® is rapidly growing in Europe and the United States, with noteworthy companies such as Qualtrics and Medallia experiencing rapid sales growth, and continuing to grow after being listed and acquired.

Based on the expectation and the development potential of NPS® markets, the Company invested in Emotion Tech in May 2020. Ever since forming a strategic partnership, we have both moved forward in linking our products, jointly developing business, creating sales opportunities, and offering the Simple CX Survey as a simplified diagnostic tool for CX (customer experience). Collaboration between products is an example of Company’s platform concept of expanding the area of value provision by linking and incorporating the products of other companies that specialize in the specific field with Company’s own products that have been developed to be highly versatile so that customers can handle all kinds of data related to their customers.

After a verification and run-up period of more than one year for the above activities, acquiring Emotion Tech as a subsidiary allows the Company and Emotion Tech to work together more closely, and then they aim to accelerate business development in the survey market.

(3) Date of acquisition

September 28, 2021 (Deemed date of acquisition: September 30, 2021)

(4) Legal method of acquisition

Acquisition of shares in exchange for cash and underwrite to third-party allotment

(5) Post-acquisition name of the company

No change.

(6) Percentage of voting rights acquired

Voting rights held before the acquisition: 4.5%

Additional voting acquired on the date of acquisition: 59.5%

Voting rights held after the acquisition: 64.0%

(7) Main basis for the determining the acquiring company

The Company acquired the shares in exchange for cash.

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

Since only the balance sheet is consolidated for the current consolidated fiscal year, the operating results of the acquired company are not included.

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

Market value of shares held immediately before the acquisition combination on the date of acquisition	109,956 thousand yen
Additional shares acquired on the date of acquisition (Cash value)	1,654,530 thousand yen
Acquisition cost	1,764,487 thousand yen

4. Description and amount of major acquisition-related expenses

Advisory expenses, etc. 20,999 thousand yen

5. Amount of and reason for goodwill accrual, goodwill amortization method and period

(1) Amount of goodwill accrued

1,605,111 thousand yen

(2) Cause of goodwill accrual

The primary cause of the accrual of goodwill was the excess earning power expected to be generated by the future business development of Emotion Tech Inc.

(3) Goodwill amortization method and period

Straight-line method for 10 years

6. Difference between the acquisition cost of the acquired company and the total cost of each transaction leading to the acquisition

Gain on step acquisition: 75,746 thousand yen

7. Amount and major breakdown of assets received and liabilities assumed on the date of acquisition

Current assets	504,292	thousand yen
Non-current assets	—	thousand yen
Total assets	504,292	thousand yen
Current liabilities	134,074	thousand yen
Non-current liabilities	121,194	thousand yen
Total liabilities	255,268	thousand yen

8. Estimated amount of the effect on the consolidated income statement for the current consolidated fiscal year on the assumption that the acquisition was completed as of the beginning of the consolidated fiscal year and the calculation method of the estimation

Net sales	512,633	thousand yen
Operating loss	(154,312)	thousand yen
Ordinary loss	(154,371)	thousand yen
Net loss before taxes	(160,145)	thousand yen
Net loss attributable to parent's shareholders	(161,072)	thousand yen

(Calculation method of the estimation)

The estimated effect is the difference between the net sales and profit and loss information calculated on the assumption that the acquisition had been completed at the beginning of the consolidated fiscal year and the net sales and profit and loss information in the consolidated statement of income of the acquiring company.

This note has not been audited by an independent auditor..

(Segment Information)

[Segment information]

Segment information is omitted because the SaaS business is the only segment of the Company.

[Related information]

Current consolidated fiscal year (from October 1, 2020 to September 30, 2021)

1. Information by products and services

This information is omitted because sales to external customers in a single product/service category account for more than 90% of net sales in the income statement.

2. Information by region

a. Net sales

There is no applicable information because there are no sales to external customers outside Japan.

b. Property and equipment

There is no applicable information as there is no property and equipment located outside Japan.

3. Information by major customers

This information is omitted because there are no external customers whose sales account for 10% or more of net sales in the income statement.

[Information on impairment loss on fixed assets by reportable segment]

Current consolidated fiscal year (from October 1, 2020 to September 30, 2021)

Not applicable.

[Information on amortization and unamortized balance of goodwill by reportable segment]

Current consolidated fiscal year (from October 1, 2020 to September 30, 2021)

Not applicable.

[Information on gain on negative goodwill by reportable segment]

Current consolidated fiscal year (from October 1, 2020 to September 30, 2021)

Not applicable.

(Per Share Information)

	Fiscal year ended September 30, 2021 (from October 1, 2020 to September 30, 2021)
Net assets per share	128.30 yen
Net income (loss) per share	(2.86) yen

Notes: 1. Diluted net income per share for the current consolidated fiscal year is not included because the Company posted a net loss per share, despite the existence of dilutive shares.

2. The basis for calculation of net loss per share is as follows.

	Fiscal year ended September 30, 2021 (from October 1, 2020 to September 30, 2021)
Net loss attributable to parent's shareholders (Thousands of yen)	(106,650)
Amount not attributable to common shareholders (Thousands of yen)	—
Net loss attributable to parent's shareholders associated with common stock (Thousands of yen)	(106,650)
Average number of shares of common stock during the period (Shares)	37,272,240
Outline of latent shares not included in the calculation of diluted net income per share due to lack of dilutive effect	1 types of stock acquisition rights (Number of stock acquisition rights: 5,000)

(Significant Subsequent Events)

(Borrowing of a large amount of funds)

At a meeting of the Board of Directors held on September 28, 2021, the Company made a resolution to conclude a syndicated loan agreement, with Sumitomo Mitsui Banking Corporation as the arranger, for the purpose of securing funds for the acquisition of shares of Emotion Tech as well as a flexible and stable means of financing.

1. Purpose of the Syndicated Loan Agreement

The purpose of the agreement is to secure funds for the acquisition of shares of Emotion Tech and a flexible and stable means of financing.

2. Overview of the Syndicated Loan Agreement

	(Tranche A)	(Tranche B)
(1) Type	Term Loan	Commitment Line
(2) Amount	1,500 millions of yen	500 millions of yen
(3) Date of Conclusion	September 28, 2021	
(4) Terms	Execution date: October 5, 2021 Maturity date: September 30, 2026	Effective date: September 30, 2021 Expiration date: September 30, 2022
(5) Interest	Base Rate + Spread	
(6) Purpose of the Funds	Funds for stock acquisition	Operating funds
(7) Arranger	Sumitomo Mitsui Banking Corporation	
(8) Agent	Sumitomo Mitsui Banking Corporation	
(9) Participating Financial Institutions	Sumitomo Mitsui Banking Corporation, Aozora Bank, Ltd., and Shinsei Bank, Limited	

Note: No borrowings based on the commitment line was made in the current consolidated fiscal year.

3. Financial Covenants

The above agreement is subject to financial covenants. In the case that the Company breaches the compliance obligations stipulated in these covenants, the Company shall forfeit the benefit of time upon the request from the bank and will be obligated to immediately return all the funds to the bank.

- (1) The amount obtained by subtracting the total amount of interest-bearing liabilities from the total amount of required operating funds and cash and deposits calculated based on the consolidated balance sheets as of the end of the fiscal year ended September 30, 2021 and each fiscal year and each quarterly fiscal period thereafter shall not be less than zero.
- (2) No operating loss shall be recorded for two consecutive quarters on the non-consolidated income statement as of the end of the fiscal year ended September 30, 2021 or each fiscal year or quarterly fiscal period thereafter. However, even in the case of an operating loss, if the total amount of director's compensation, salaries, other salaries, legal welfare expenses, welfare expenses, recruiting expenses and advertising expenses exceeds an amount equivalent to 50% of net sales, adjusted operating income (loss) will be calculated by deducting the amount of this excess from SG&A expenses. As a result of this, if adjusted operating income (loss) would become zero or more, the Company shall not correspond to a breach of the obligation.
- (3) A balance of deposits at or above the amount of principal of the individual loan accounts payable of Tranche A after the execution date thereof must be maintained.