OFFERING CIRCULAR CONFIDENTIAL

14,339,000 Shares

PLAID, Inc.

Common Stock

This offering circular relates to a global offering of 14,339,000 shares of common stock of PLAID, Inc., a joint stock company incorporated under the laws of Japan. Of the shares in the global offering, 11,716,500 shares, or the international shares, are being offered outside Japan in an international offering by the international managers named in this offering circular, or the international offering. The international shares consist of 1,240,600 newly issued shares to be sold by us and 10,475,900 existing shares to be sold by the international selling shareholders named in this offering circular. We will not receive any of the proceeds from the sale of international shares by the international selling shareholders.

The international shares are being offered (i) by the international managers in offshore transactions outside the United States and Japan in reliance on Regulation S under the U.S. Securities Act of 1933, as amended, or the Securities Act, and (ii) by U.S. selling agents, which are U.S. broker-dealer affiliates of the international managers, to persons reasonably believed to be "qualified institutional buyers," as defined in Rule 144A under the Securities Act, in reliance on Rule 144A. For a description of these and certain other restrictions on offers, sales and transfers of the international shares, see "Transfer Restrictions" and "Offering and Sale."

Concurrently with the international offering, 2,622,500 shares, or the Japanese shares, are being offered to the public in Japan in a Japanese offering by Japanese underwriters, or the Japanese offering. The Japanese shares consist of 281,400 newly issued shares to be sold by us and 2,341,100 existing shares to be sold by the domestic selling shareholders named in this offering circular. We have granted Mizuho Securities Co., Ltd., as representative of the Japanese underwriters, an option to purchase up to an aggregate of 716,000 additional newly issued shares in connection with over-allotments, if any, in the Japanese offering. See "Offering and Sale."

The offer price per share in the Japanese offering is the same as in the international offering. The closing of the Japanese offering and the international offering are conditional upon one another.

Our shares are not currently listed on any stock exchange nor publicly traded in Japan. Tokyo Stock Exchange, Inc., or Tokyo Stock Exchange, has approved the listing of our common stock. It is expected that the listing will become effective and that trading will commence on or about December 17, 2020 (Tokyo time).

Investing in the shares involves risks. See "Risk Factors" beginning on page 16 of this offering circular.

Offer price: ¥1,600 per share

The international shares are offered by the international managers subject to receipt and acceptance of any order by them and subject to their right to reject any such order in whole or in part. It is expected that payment for the international shares to be sold by us will be made in yen for value in Tokyo on or about December 16, 2020 (Tokyo time), and that payment for the international shares to be sold by the international selling shareholders named in this offering circular will be made in yen for value in Tokyo on or about December 17, 2020 (Tokyo time). The international shares will be delivered through the book-entry facilities of Japan Securities Depository Center, Inc., or JASDEC, in Tokyo on or about December 17, 2020 (Tokyo time). See "Clearance and Settlement" and "Offering and Sale."

THE INTERNATIONAL SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT AND, SUBJECT TO THE EXCEPTIONS REFERRED TO IN THIS OFFERING CIRCULAR, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT).

Joint Global Coordinators

Mizuho Securities **BofA Securities**

Joint Bookrunners and Joint Lead Managers

BofA Securities **Mizuho International plc**

The date of this offering circular is December 7, 2020.

PLAID

Maximize the value of people with the power of data

We believe in the potential of data to empower people. Data is not just signs or symbols. People, their behaviors and their emotions lie behind the massive data on the Internet. However, many companies see data as just "data," and not the people behind it. This is what we would like to address and what we would like to change.

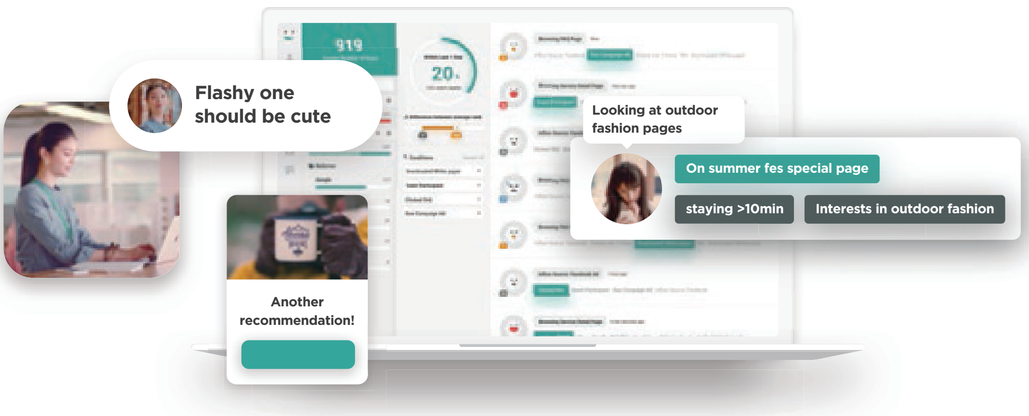
Kenta Kurahashi
Co-founder & Chief Executive Officer

Naoki Shibayama
Co-founder & Chief Product Officer

Our Solution

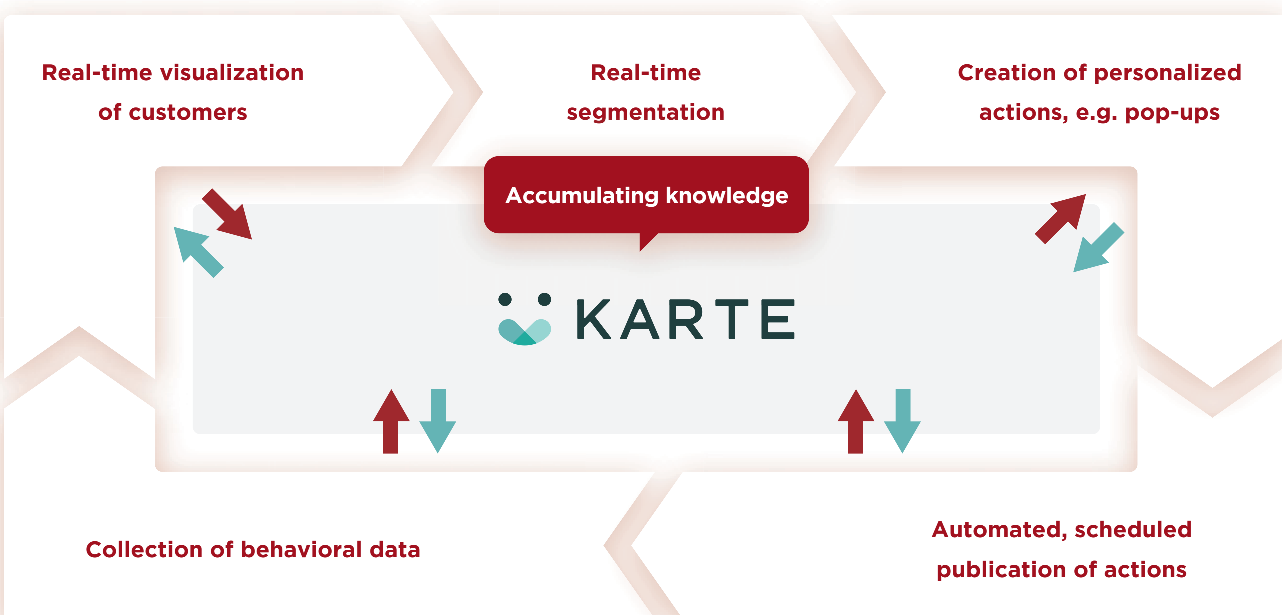
KARTE

We are offering a differentiated, one-stop, cloud-based platform that empowers organizations to enhance their digital CX and marketing activities

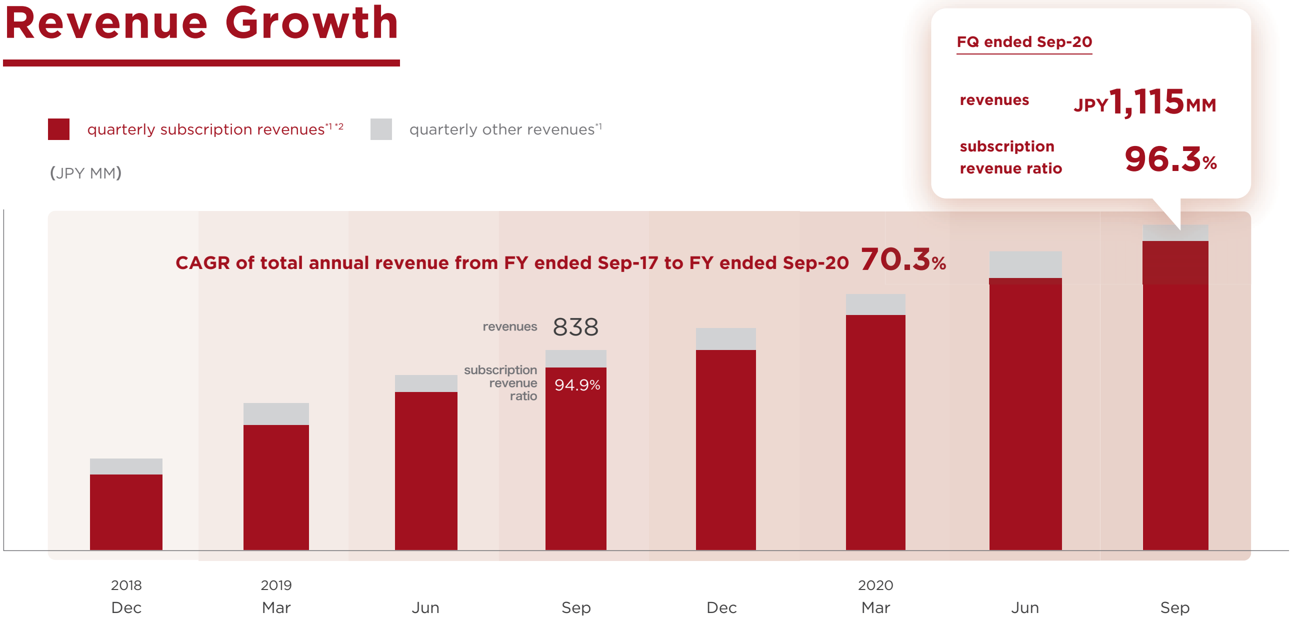


Core Functionality of KARTE

- Visualization of individual customers
- Real-time analysis
- End-to-end solution



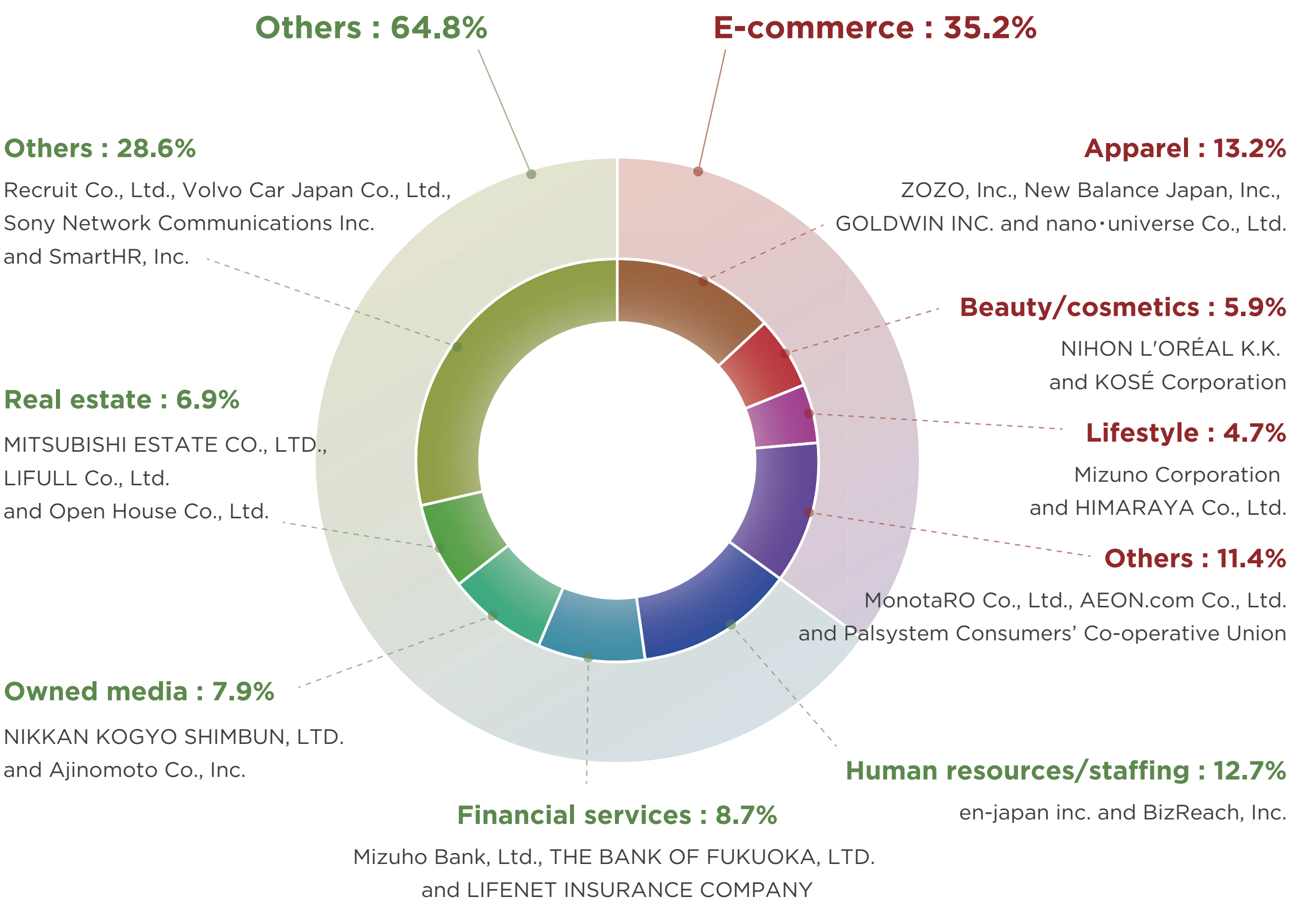
Revenue Growth



*1: The above graph presents figures on a quarterly basis.

*2: Subscription revenue = The amount of revenue recognized from subscribers of KARTE (for Web) and KARTE for App, including KARTE Datahub and other add-on options, excluding initial set-up and other one-time fees, for a given period.

Diversified Customer Universe



industry percentage and examples of customers as of September 30, 2020

No person has been authorized in connection with the international offering to give any information or to make any representation other than as contained herein and, if given or made, such information or representation must not be relied upon as having been authorized by us, the selling shareholders, any international manager or any U.S. broker-dealer affiliate of the international managers. No action has been, or will be, taken to permit a public offering of the international shares in any jurisdiction where action would be required for that purpose. Accordingly, the international shares offered hereby may not be offered or sold, directly or indirectly, and this offering circular may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither delivery of this offering circular nor any sale made hereunder shall under any circumstances imply that the information herein is correct as of any date subsequent to the date hereof.

IN MAKING AN INVESTMENT DECISION, PROSPECTIVE INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF US AND THE TERMS OF THE INTERNATIONAL OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE INTERNATIONAL SHARES COVERED BY THIS OFFERING CIRCULAR HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION OR ANY OTHER FEDERAL OR STATE SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES APPROVED THIS OFFERING CIRCULAR OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE UNDER THE LAWS OF THE UNITED STATES.

This offering circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire international shares. Distribution of this offering circular to any person other than the offeree and those persons, if any, retained to advise such offeree with respect thereto is unauthorized, and any disclosure of its contents without our prior written consent is prohibited. Each person receiving this offering circular acknowledges that such person has not relied on any international manager, any U.S. broker-dealer affiliate of the international managers or any person affiliated with the international managers in connection with its investigation of the accuracy of such information or its investment decision.

The international shares have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended), or the FIEA. The international shares may not be offered or sold, directly or indirectly, in Japan or to or for the benefit of any resident of Japan (including any person resident in Japan or any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to or for the benefit of any resident of Japan, except pursuant to an exemption from the registration requirements of the FIEA and otherwise in compliance with any applicable laws, rules, regulations and governmental guidelines of Japan.

The international shares have not been and will not be registered under the Securities Act, or with any securities authority of any state of the United States, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. The international shares are being offered (i) by the international managers in offshore transactions (as defined in, and in accordance with, Regulation S under the Securities Act, or Regulation S), and (ii) in the United States through U.S. selling agents, which are U.S. broker-dealer affiliates of the international managers only to persons reasonably believed to be qualified institutional buyers, or QIBs, in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A. Prospective purchasers are hereby notified that sellers of the international shares may be relying on the exemption from the registration provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of the international shares and the distribution of this offering circular, see "Offering and Sale" and "Transfer Restrictions."

The international managers are acting exclusively for us and the international selling shareholders and no one else in connection with the global offering. They will not regard any other person (whether or not a recipient of this offering circular) as their clients in relation to the global offering and will not be responsible to anyone other than us and the international selling shareholders for providing the protections afforded to their clients nor for giving advice in relation to the global offering or any transaction or arrangement referred to herein.

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AVAILABLE INFORMATION

We intend to publish information in accordance with Rule 12g3-2(b) under the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act. We have agreed that, for so long as any of the international shares are outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, during any period in which we are not subject to Section 13 or 15(d) of the Exchange Act nor exempt from such reporting requirements pursuant to such Rule 12g3-2(b), we will furnish, upon request, to any holder of restricted securities, or any prospective purchaser designated by a holder of restricted securities, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

DISCLOSURE OF DEMAND AND ALLOCATION

Each prospective purchaser who places an order for international shares consents to the disclosure by the international managers to us of the prospective purchaser's identity, the details of such order and the actual amount purchased, if any.

NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA AND THE UNITED KINGDOM

This offering circular has been prepared on the basis that any offer of international shares in any member state of the European Economic Area (the "EEA") or the United Kingdom (each, a "Relevant State"), will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of the international shares. Accordingly, any person making or intending to make an offer in that Relevant State of international shares which are the subject of the placement contemplated in this offering circular may only do so in circumstances in which no obligation arises for us or any of the international managers to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case, in relation to such offer. Neither we nor the international managers have authorized nor do we or they authorize the making of any offer of international shares in circumstances in which an obligation arises for us or the international managers to publish a prospectus for such offer. Neither we nor the international managers have authorized nor do we or they authorize the making of any offer of international shares through any financial intermediary, other than offers made by the international managers which constitute the final placement of international shares contemplated in this offering circular. The expression "Prospectus Regulation" means Regulation (EU) 2017/1129 (together with supplements thereto, including Commission Delegated Regulation (EU) 2019/980). References to Regulations or Directives include, in relation to the United Kingdom, those Regulations or Directives as they form part of United Kingdom domestic law, by virtue of the European Union (Withdrawal) Act 2018 or have been implemented in United Kingdom domestic law, as appropriate.

NOTICE TO INVESTORS IN THE UNITED KINGDOM

There are restrictions on the offer and sale of the international shares in the United Kingdom. All applicable provisions of the Financial Services and Markets Act 2000 (the "FSMA"), with respect to anything done by any person in relation to the international shares in, from or otherwise involving, the United Kingdom must be complied with. See "Offering and Sale."

This offering circular is for distribution in the United Kingdom only to qualified investors (as defined in the Prospectus Regulation) who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any international shares may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons" for purposes of this Notice to Investors in the United Kingdom). This offering circular is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering circular relates is available only to relevant persons and will be engaged in only with relevant persons.

NOTICE TO INVESTORS IN SINGAPORE

Section 309B(1) Notification—In connection with Section 309B of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), the international shares are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in Monetary Authority of Singapore Notice SFA 04-N12: Notice on the Sale of Investment Products and Monetary Authority of Singapore Notice FAA-N16: Notice on Recommendations on Investment Products).

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this offering circular, "we," "us," "our," and words of similar import refer to PLAID, Inc., "international selling shareholders" refer to JAPAN VENTURES I L.P., Femto Growth Capital LPS, Femto Startup LLP and Femto Growth Fund 2.0 LPS, "domestic selling shareholders" refers to Kenta Kurahashi, Naoki Shibayama, JAPAN VENTURES I L.P., MITSUI & CO., LTD., MSIVC2018V Venture Capital Investment Limited Partnership, SMBC Venture Capital No.4 Investment Limited Partnership, Mizuho Growth Fund No.2 Limited Partnership and Mitsubishi UFJ Capital VI, Limited Partnership and "selling shareholders" refers to the international selling shareholders and the domestic selling shareholders. As of the date hereof, we have no subsidiaries, consolidated or otherwise.

In this offering circular, where information is presented in thousands, millions or billions of yen, amounts of less than one thousand, one million or one billion, as the case may be, have been truncated. In this offering circular, where information is presented as percentages, amounts less than one-tenth of one percent or one-hundredth of one percent, as the case may be, have been rounded unless otherwise specified. Accordingly, figures presented in tables in this offering circular may not total due to such truncating and rounding. In this offering circular, references to "yen" and "¥" are to the lawful currency of Japan.

In this offering circular, "CAGR" refers to compound annual growth rate, which is calculated using the following formula:

$$\text{CAGR} = \left(\frac{\text{Ending Value}}{\text{Beginning Value}}\right)^{\left(\frac{1}{\text{Number of Years}}\right)} - 1$$

Our financial information as of and for the fiscal years ended September 30, 2020, 2019 and 2018 appearing in this offering circular has been derived from our audited financial statements as of and for the fiscal years ended September 30, 2020 and 2019 and September 30, 2019 and 2018 included elsewhere in this offering circular. Such audited financial statements have been prepared in accordance with accounting principles generally accepted in Japan, or Japanese GAAP. Japanese GAAP differs from accounting principles generally accepted in the United States of America, or U.S. GAAP and International Financial Reporting Standards, or IFRS. Potential investors shall consult their own professional advisors for an understanding of differences that might affect their analysis of the financial information presented herein.

Our fiscal year end date is September 30 of each year.

In the presentation of our financial statements, certain reclassifications and rearrangements have been made to the financial statements issued domestically in order to present them in a format that is more familiar to readers outside Japan.

THIRD-PARTY INFORMATION

We make statements in this offering circular about our competitive position in the market for cloud-based CX software and our opportunities therein as well as in other related markets. In addition, we include statements relating to industry and general economic trends. We have made these statements on the basis of statistics and other information from third-party sources, such as governmental agencies, research institutes and industry or general publications that we believe are reliable. Although we have no reason to believe any of this information is inaccurate in any material respect, we have not independently verified and cannot assure the accuracy of the data provided by or derived from third-party sources.

FORWARD-LOOKING STATEMENTS

This offering circular contains "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These statements appear in a number of places in this offering circular and include statements regarding the intent, belief or current expectations of our management with respect to our business, results of operations and financial condition. In many cases, but not all, we use such words as "aim," "anticipate," "believe," "estimate," "expect," "forecast," "intend," "may," "outlook," "plan," "potential," "predict," "probability," "project," "risk," "seek," "should," "target," "will," "would" and similar expressions in relation to us or our management to identify forward-looking statements. You can also identify forward-looking statements by discussions of strategy, plans or intentions. These statements reflect our current views with respect to future events and are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results may vary materially from those we currently anticipate.

Potential risks and uncertainties include, without limitation, those identified and discussed in “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Business” and elsewhere in this offering circular. Given these risks and uncertainties, prospective investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this offering circular. We disclaim any obligation to update, or to announce publicly any revision to, any of the forward-looking statements contained in this offering circular to reflect future actual events or developments.

ENFORCEABILITY OF CIVIL LIABILITIES

We are a Japanese joint stock corporation incorporated under the laws of Japan. All of our directors and corporate officers and corporate auditors reside outside the United States, and a substantial portion of our assets and the assets of such persons are located outside of the United States. As a result, it may not be possible for holders or beneficial owners of shares of our common stock to effect service of process within the United States or elsewhere outside Japan upon us or such persons or to enforce against us or such persons judgments obtained in U.S. courts or elsewhere, whether or not predicated upon the civil liability provisions of the U.S. federal securities laws or other laws of the United States or any state thereof. Nagashima Ohno & Tsunematsu, our Japanese counsel, has advised us that in original actions or in actions for enforcement of judgments of U.S. federal or state courts brought before Japanese courts there is general doubt as to the enforceability of liabilities based solely on U.S. federal and state securities laws.

GLOSSARY

The following terms used in this offering circular have the meanings indicated below:

Term	Description
ARPA	*Average revenue per account*. MRR for a month divided by the total number of subscriptions as of the end of the same month.
ARPC	*Average revenue per customer*. MRR for a month divided by the total number of customers as of the end of the same month. A customer may have more than one subscription.
ARR	*Annual recurring revenue*. Measures the amount of monthly revenue from subscribers, excluding initial set-up and other one-time fees, on an annualized basis. Since we calculate ARR as MRR for the last full month of the relevant period multiplied by 12, ARR is a non-GAAP measure and may differ from subscription revenue that we recognize in our financial statements.
customers	Generally, when we refer to "our customers," we mean the businesses and other organizations that currently or may in the future subscribe to our products and solutions. In the presentation of our operating and financial data, "customers" refer to separate legal entities that have active one or more subscriptions to our products or solutions as of the date indicated. As the context requires, the term "customers" may also refer to the individuals or businesses that purchase or may in the future purchase goods or services from subscribers to our products and solutions. In this context, "customers" includes "website visitors" in the case of subscribers to KARTE (for Web) and "mobile application users" in the case of subscribers to KARTE for App.
CX/digital CX	*Customer experience.* This refers to the sum of interactions between an organization and its customer that contributes to the resulting impression that the customer develops and maintains with respect to that organization or its products and services. This can encompass anything from product design and quality to traditional notions of customer service. Digital CX refers to CX that occurs through any digital channel or interface, such as websites and mobile applications and devices.
CRM	*Customer relationship management*. The combination of methods, practices and strategies that organizations use to manage their relationships and interactions with their customers. It also refers to the technology that organizations use to implement those methods, practices and strategies.
events	We define events as a unit of data regarding website visitors or mobile application users that KARTE (for Web) and KARTE for App accumulate and analyze. Such data includes a broad range of actions, behaviors or status attributable to such visitors or users including, for example, making purchases, adding an item to a check-out cart for purchase, visiting a site several times within a specified time period, viewing particular content on a site or time spent viewing particular content.
KARTE Suite	Our lineup of digital CX and marketing software, solutions and add-on tools, including our core products KARTE (for Web) and KARTE for App and our add-on tools, such as KARTE Datahub, which work seamlessly together to form our one-stop platform that empowers organizations to enhance their digital CX and marketing by enabling them to deliver dynamic, context-driven and

	personalized experiences to their online customers informed by real-time analysis of customer onsite activity.
MA	*Marketing automation*. The process through which organizations use technology to manage and automate their offsite and onsite marketing activities including but not limited to activities such as e-mail messaging and web advertising. It also refers to the software platforms and other technologies that organizations use to achieve their marketing automation objectives.
MAUs	*Monthly active users*. UUs for a particular website or mobile application during a particular one-month period.
MRR	*Monthly recurring revenue*. The amount of subscription revenue for a given month.
NRR	*Net revenue retention*. Measures as a percentage the increase or decrease of revenue generated from a particular cohort of customers over time. For a given month we calculate it as (i) MRR for the given month from existing customers who have subscribed for more than one year divided by (ii) MRR for the same month of the preceding fiscal year. In this offering circular, we present NRR on an average basis for the last twelve months by calculating the NRR for each month in the relevant period and dividing the sum by 12.
offsite	From the perspective of a particular KARTE customer, this term refers to websites, mobile applications and other digital channels, that are not operated or maintained by the particular customer. It may also refer to a KARTE customer's physical stores.
onsite	From the perspective of a particular KARTE customer, this term refers to the websites and mobile applications as well as other digital channels operated or maintained by the particular customer.
SaaS	*Software-as-a-Service.* A cloud-based software licensing and delivery model in which software is licensed on a subscription basis and is centrally hosted.
subscriptions	Agreements currently in effect relating to the deployment of KARTE (for Web) or KARTE for App on a website or mobile application, as of the date indicated. Generally each deployment of KARTE (for Web) or KARTE for App on a website or mobile application is covered by one subscription agreement. A single customer can have more than one subscription covering multiple websites or mobile applications.
subscription revenue	The amount of revenue recognized from subscribers of KARTE (for Web) and KARTE for App, including KARTE Datahub and other add-on options, excluding initial set-up and other one-time fees, for a given period.
subscription revenue ratio	Measures the proportion of net sales composed of subscription revenue for any given period. We calculate subscription revenue ratio as (i) subscription revenue for the relevant period divided by (ii) net sales for the same period.
UUs	*Unique users*. Refers to the number of distinct individuals who visited a particular website or accessed a particular mobile application during any given period, regardless of how often that action occurs during the relevant period.

SUMMARY

The following summary is qualified in its entirety by, and is subject to, the detailed information and financial statements and related notes, contained elsewhere in this offering circular. Prospective investors should carefully consider the information set forth under the caption "Risk Factors" and all other information set forth in this offering circular.

PLAID, Inc.

Mission

Our mission is to maximize the value of people with the power of data. We believe in creating a positive customer experience that is tailored for each individual.

Overview

We are a leading provider of CX SaaS in Japan. Our suite of KARTE-branded products and solutions are subscription-based services that provide a differentiated one-stop platform that empowers organizations of all types, industries and sizes to enhance their digital CX and marketing efficiency by enabling them to deliver dynamic, context-driven and personalized experiences to their online customers informed by real-time analysis of onsite activity. KARTE Suite's powerful data analytics engine collects and analyzes a wide range of behavioral, contextual, anonymous demographic and other customer data as it is being generated to provide a rich, visual and constantly refreshing profile of individual customers and customer base. Using this data, organizations can better understand *who* their customers are and *how* and *why* they behave, and with this understanding create more timely, personalized and effective interactions with each individual customer or group of customers in order to promote customer engagement and activity. KARTE Suite enables organizations to design and implement communications, marketing messages and other tailored actions and experiences onsite, such as website configurations, push notifications and pop-up and chat messages, or through other digital channels, such as emails or communications through third-party SNS applications, and on a one-off basis or automated to respond to specific events or behaviors. This end-to-end functionality allows organizations to achieve a more customer-centric digital CX and marketing strategy all through one platform.

Our products and solutions can be quickly deployed and are easy to use, even for those without data analytics or other technical training. Our products are equipped with an intuitive user interface and customizable dashboards that allow organizations to visualize their customers on an individual or segmented basis, or for their customer base as a whole, and quickly derive valuable insights. They also offer flexible configuration to address different use cases, and multi-faceted extensibility to support integration with a wide range of other data management and marketing-related tools, further extending the platform's functionality and allowing it to be positioned as a central part of an organization's digital CX and marketing strategy.

In March 2015, we released our first commercial product, KARTE (for Web), and since then have continued to innovate and introduce new products and solutions to expand our KARTE Suite, including KARTE for App in March 2018, KARTE Datahub, a customer data platform, in December 2018, KARTE Live in April 2019 and KARTE Blocks (beta) in July 2020. We have achieved steady growth of subscriptions and as of September 30, 2020, we had 710 subscriptions for our core products, KARTE (for Web) and KARTE for App, from a broad range of customers in terms of size and industry, including small and medium-sized enterprises (SMEs) and large corporations in the apparel, cosmetics, general e-commerce, real estate, IT/software, human resources/staffing and financial services industries. Our net sales have grown steadily in recent years, and we recorded net sales of ¥298,517 thousand, ¥811,382 thousand, ¥1,595,434 thousand, ¥2,937,299 thousand and ¥4,007,850 thousand for each of the fiscal years ended September 30, 2016, 2017, 2018, 2019 and 2020, respectively. Our net sales for the fiscal year ended September 30, 2020 represented a year-on-year growth of 36.4%, and our gross profit for the same period was ¥2,854,754 thousand, representing a year-on-year growth of 33.2%.

On November 27, 2019, we announced a strategic partnership with Google, pursuant to which Google International LLC invested ¥1,622,667,800 in exchange for 1,420,900 shares of Class D preferred stock and we agreed to collaborate with Google to integrate GCP's machine learning and artificial intelligence technology into our KARTE platform. We believe this collaboration better positions us to provide businesses with a highly functional, highly scalable and secure cloud platform that will enable end-users to personalize and improve their CX.

We believe the market for digital CX and marketing products and solutions that offer truly real-time, end-to-end functionality like ours is significant and remains largely underpenetrated, particularly in Japan. We plan to leverage our comparative strengths to continue to grow our customer and subscription bases and enhance our differentiated technology platform to deliver further value to our customers. See "Our Strengths" and "Our Growth Strategy" below.

Our Story

Our company was founded in 2011 by our CEO, Kenta Kurahashi, to provide CX-related consulting services to e-commerce companies in Japan, leveraging his experience in digital marketing at Rakuten, where he oversaw web direction, advertising, marketing and mobile strategy for Rakuten's online shopping platform. The concept for KARTE originated in 2012, when Kenta Kurahashi met our current CPO, Naoki Shibayama, who at the time was a graduate student pursuing doctoral studies at the Graduate School of Information Science and Technology, The University of Tokyo and had researched and published extensively on artificial intelligence, machine learning and collaborative data filtering. Six months later, our two co-founders launched development of KARTE using insights gained from Mr. Kurahashi's experience in digital marketing at Rakuten and Mr. Shibayama's research in artificial intelligence and data analysis. The development of KARTE was grounded in a shared vision that the Internet did not enable organizations to truly know their customers notwithstanding significant advances in technology, and a shared desire to help organizations to overcome this by providing them with the tools to visualize their customers in real time and pursue "customer centric" digital CX and marketing.

The shared vision and desire of our co-founders led to the development and launch of our first commercial CX software product, KARTE (for Web), in March 2015. Today, KARTE (for Web) and our other KARTE branded products and solutions are deployed on hundreds of websites and mobile applications, mostly in Japan, to help organizations in their quest to achieve this refined concept of CX with their customers in the digital world. We believe in the potential of data to empower people, and that data is not just signs or symbols, but rather, that people, their behaviors and their emotions lie behind the massive data on the Internet. We would like to address and change companies that see data as just "data," not the people behind it.

Industry Trends in Our Favor

Growing awareness of CX

Maintaining positive relationships and connectivity to customers, including through effective CRM, has long been recognized as a key factor underlying the success and value of any business enterprise. In recent years, however, businesses have started to recognize the need to look beyond traditional CRM and embrace a more holistic focus on the totality and quality of experiences that businesses deliver to their customers. The phrase "customer experience" has become increasingly prominent in the marketing industry, as demonstrated by a roughly six-fold increase in the term's Google Trend Index from 2004 to 2020. According to a survey of 15,000 people across 12 countries (including Japan) conducted by PricewaterhouseCoopers in 2018, 82% of the respondents from top-performing companies responded that they pay close attention to the human experience around digital and tech, 73% of the respondents cited CX as an important factor in their purchase decisions, 65% of the respondents from the United States responded that they consider a positive experience with a brand to be more impactful than mere advertising and 59% of the respondents from the United States responded that they will walk away after several bad experiences, even if they love the company or the product. Based on CX-related events that we sponsor, we believe that this global awareness of CX is also translating into a growing awareness of CX in Japan, which has been further expanded as a result of the COVID-19 pandemic and the resulting emphasis on e-commerce and other digital/online services and technologies. This growing awareness of the importance of CX has naturally given rise to thoughts, analysis and methods on how an organization can manage and improve its CX, as well as tools designed to assist in that process.

Evolving engagement with customers in the digital world requires an expanded vision of CX and customer centricity

Over the past several decades, the Internet, as a medium for communication and interaction between businesses and their customers, has evolved in line with advances in technology, which has led to a fundamental change in the type of customer and other data available to businesses.

Initially, the Internet was a place for the static transfer of data and other content, and in terms of marketing, it has long been "corporate centric." In the first phase of the "corporate centric" digital marketing model, businesses focused on service creation and used corporate websites primarily to convey or obtain information about its products and services, and available technology did not enable website visitors to be identified to any meaningful degree. As technology improved, however, the Internet became a more useful conduit for interactivity among its users. Individuals and businesses began to communicate and transact with others all over the world, and in this second phase of the "corporate centric" digital marketing model, businesses focused their website marketing on maximizing customer attraction.

This increased activity, together with advances in technology, enabled businesses to obtain more information about an increasingly large segment of their overall customer base, whether provided directly by the customers, such as through memberships and surveys, or captured through website activity, such as web clicks and historical purchase data. While this additional information provided businesses with a level of insight about their customers that was not previously available to them, which enabled more targeted advertising and marketing campaigns, such data remained static, one-time snapshots that did not enable a fundamental shift in how businesses approached customer engagement.

Over the past decade, however, further advances in technology and the proliferation of mobile devices have elevated websites as well as mobile applications to critically important tools for engaging with customers and have forced businesses to think about and adopt new methods and approaches to customer engagement and digital marketing. Evolving customer expectations regarding accessibility, ease of use, functionality and security and increasing competition among businesses to differentiate their products and services have given rise to developments such as improved UIs (user interfaces), proliferation of social media sites and mobile applications, the introduction of online loyalty programs and expanded payment options, the adoption of enhanced encryption and security features and the deployment of customer service chatbots. Organizations have also recognized the potential value of big data and have sought to access and use their data more effectively in their marketing activities, which has led to the development of a wide range of point solutions, such as CRM, MA, database management and analytics tools. This leads businesses to generate and collect customer behavior data that provide greater context than purely static data and permit real-time analysis.

While certainly impactful for both businesses and customers, we believe that businesses have not yet been able to leverage these developments to evolve from a "corporate centric" model toward a "customer centric" digital marketing model in which they can come to understand their customers as individuals and interact with them in a truly personalized manner in real-time. We believe those are essential elements of effective CX and can only be achieved through tools that combine static data with customer behavior data to offer real-time analytical and operational capabilities.

Frustrations with digital interactions notwithstanding significant advances in technology

Although there is a large amount of digital information and wide range of digital marketing tools available to organizations today, both businesses and their customers have become increasingly frustrated that such data and tools do not effectively address and incorporate the needs and trends discussed above in a way that is easy to implement and operate.

From the business's perspective, the lack of a comprehensive tool or set of tools that enables them to truly know and understand their customers and their actions in context, e.g., *who*, *what*, *when*, *where*, *why*, and *how* and in real-time, inhibits meaningful engagement with customers in a timely, informed and personalized manner. In addition, the absence of automated, "low-code" or "no-code" tools, the inability to easily measure or gauge responses and feedback from customers and difficulties in effectively integrating and utilizing customer data, which is often disorganized, fragmented and segregated, are significant obstacles to a business's ability to develop and implement an effective digital marketing strategy. Furthermore, tools that are currently available tend to require a high skill set as well as heavy implementation and integration in order to be used. This raises the barriers for businesses to effectively use such tools to engage with their customers.

From the customer's perspective, common complaints include the inability to quickly access information or website content that addresses their particular needs and circumstances. In addition, customers also suffer from the business's lack of an informed and streamlined digital marketing strategy and high barriers to using digital marketing tools that businesses face. The lack of organized, comprehensive and integrated customer data management and analysis and difficulties in implementing and integrating tools on the business's part often result in customers being inundated with excessive, irrelevant, conflicting or ill-timed information and repetitive contacts from digital marketers through multiple channels.

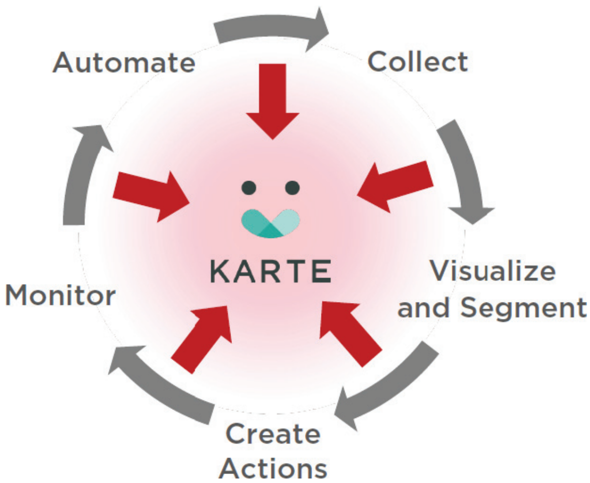
These frustrations highlight a common shortcoming of traditional digital marketing approaches – an inability to effectively create a truly real-time, informed and personalized customer experience that promotes customer engagement and activity.

Our Solution

The KARTE Suite is our solution to the trends and frustrations described above. It offers a way for organizations to better understand their online customers, including their habits, preferences and motivations through real-time data collection and visualization and by creating and automating personalized communications and actions, such as pop-ups, for individual customers or segments of customers on a real-time basis. With this, organizations can achieve a level and quality of digital CX and marketing that has not been possible through "analog" channels or with traditional digital marketing tools, such as existing CRM, MA and database management and analytics tools, alone.

Core functionality

Our KARTE Suite provides a differentiated, one-stop, cloud-based platform that empowers organizations to enhance their digital CX and marketing efficiency. It is built around our powerful and proprietary data analytics engine that collects and analyzes customer onsite activity as it is occurring, and integrates that information with existing customer data to generate a rich, visual and constantly up-to-date profile of an organization's customers. This enables organizations to more deeply understand *who* their customers are and *how* they behave and *why*, and with that understanding create timelier, better informed and personalized actions and engagements with their individual customers, or specific groups of customers, onsite or through other digital channels.



- *Truly real-time data collection and processing*. KARTE Suite enables the real-time collection and processing of a large amount of behavioral, contextual, anonymous demographic and other customer and event data originating from a wide range of online touchpoints. Onsite activity is collected and analyzed within fractions of a second of occurring and is continuously and seamlessly integrated with existing historical data to generate a rich and constantly updated profile of customers on an individual or segmented basis. Offline data can also be integrated using our KARTE Datahub solution.

- *Real-time visualization and segmentation*. KARTE Suite enables real-time monitoring, where organizations are able to visualize and analyze the onsite activities of their customers as they happen, together with historical customer data to gain a deeper understanding of their customers, including their habits, preferences and motivations. Our intuitive user interface and customizable dashboards enables users to view this information on an individual or segmented customer basis, or for the organization's entire customer base, and to quickly and easily identify trends and other actionable insights therefrom. KARTE Suite enables dynamic segmentation of customers in real time based on KARTE user-defined parameters, including onsite behaviors, such as duration of page view, scrolling activity, number and timing of site visits, purchase history, common website exit points, as well as anonymous demographic data, such as age and gender. KARTE Suite can update customer behavior data, create customer segments and carry-out defined actions within fractions of a second. As customers engage in onsite activity, KARTE Suite can provide constantly refreshing data based on user-defined customer segments.

- *Personalized actions and experiences that promote customer engagement*. KARTE Suite users can design and implement a range of actions and experiences that are tailored to a particular individual or segment. These tailored actions and experiences can be implemented onsite, such as website configurations, push notifications and pop-up and chat messages, or through other digital channels, such as emails and SNS communications sent through third-party applications, and can be initiated by website operators on a one-off basis or automated to respond to specific event or behavior triggers.

- *Monitoring and automation*. KARTE Suite users can quickly and easily analyze and compare the outcome of different actions and experiences that they have taken vis-a-vis their customers, for example, the outcome of an A/B testing for a particular website configuration or pop-up message design, and upon confirmation that the actions they created contribute to better customer experience, those actions can be set to be automatically published or executed.

- *Accumulate knowledge.* Through the process described above, KARTE Suite users can continuously accumulate wide-ranging insight about their customers and their behavior, as well as the effectiveness of KARTE users' own actions taken based on such information. This enables KARTE users to gauge the effectiveness of their digital CX strategy and make informed adjustments to further improve it in a cost-effective manner.

See "Business—Our KARTE Suite—Illustrative use cases" for more detailed examples of how certain organizations have used and benefited the features enabled by KARTE Suite.

Other key benefits

Other key benefits of our KARTE Suite include:

- *Quick and easy deployment and use*. Our KARTE Suite is quick to implement and relatively easy to operate by marketing operators, even for those without data analytics experience. It does not require lengthy onboarding engagements, dedicated onsite IT teams, custom implementations or long deployment cycles, and is easy to install. We provide flexible and relatively easy-to-use tools, such as templates, tutorials and drag and drop features, which make it accessible to a broader set of users, including non-technical, business-oriented personnel.

- *Flexible configuration to meet specific needs.* Users can configure almost all aspects of the platform to meet their particular needs and use cases, which vary by organization and industry. We also provide templates for data tagging, dashboard development and action design and execution protocols, and develop packaged solutions for particular use cases, as well as all of the tools necessary to enable customization to meet a user's specific needs.

- *Multi-faceted extensibility.* Using APIs and other extension tools developed by us or third parties, KARTE Suite can be easily integrated with many other database management and digital marketing tools and solutions to further enhance its usefulness for its users. For example, an organization can integrate data collected from online sources other than KARTE Suite, as well as offsite sources, and also expand the organization's customer engagement to offsite channels.

See "Business—Our KARTE Suite" for more detailed information about KARTE Suite's functionality and other benefits.

Our Market Opportunity

We believe the market for a differentiated, one-stop, cloud-based digital CX and marketing platform that empowers organizations to enhance their digital CX and marketing efficiency by delivering dynamic, context-driven and personalized experiences to their individual customers informed by real-time analysis of customer onsite activity is significant and remains largely underpenetrated. Advances in technology and the proliferation of mobile devices have made websites as well as mobile applications critical touchpoints for businesses to engage with their customers regardless of the industry. Based on our analysis of data from

SimilarWeb Ltd. for February 2019, there were approximately 19,100 enterprise and mid websites operating in Japan, which we define as website domains with monthly UUs of more than 30,000, and approximately 109,500 including small-medium business websites operating in Japan, which we defined as website domains with monthly UUs of 30,000 or less but more than 1,000 UUs. Together, these enterprise, mid and small-medium business websites represented a total addressable market size of ¥1,304 billion in revenue potential, including a total addressable market size of ¥278 billion for enterprise and mid websites, calculated by multiplying the number of website domains in Japan by price per website for KARTE (for Web) and KARTE Datahub, based on the number of monthly UUs of each domain as of February 2019.

The current penetration rate for KARTE into this market for enterprise and mid websites as of September 30, 2020, defined as last twelve months revenue for KARTE (for Web) and KARTE Datahub divided by the total addressable market size of enterprise and mid websites, is 1.3%. We believe that our KARTE products and solutions could be deployed on many more of these websites to enable the relevant organizations to improve their digital CX and marketing strategies. Furthermore, because the above figures are calculated based on websites operating in Japan, they do not account for the potential to grow our KARTE for App in the smartphone market. Based on this, we believe there is substantial room for further deployment of our products and solutions in Japan.

The current levels of market spend on CRM/CX software and digital marketing services in Japan, the key direct markets for our KARTE Suite, also indicate there is room for further growth, given the small amounts relative to the global market size. We believe we can capture more market share within these key markets as demand shifts from traditional CRM, MA and other tools to one-stop digital marketing platforms with real-time functionality such as our KARTE Suite. In addition, we believe that the CRM/CX and digital marketing services markets remain relatively small compared to the global market size for these services, which indicate that these market segments in Japan continue to have growth potential. The market for CRM software in Japan for 2019 on an annual basis was estimated by Gartner to be only US $2.1 billion, compared to the estimated global CRM software market size of US$56.6 billion (Gartner, Forecast: Enterprise Application Software, Worldwide, 2018-2024, 3Q20 Update, Neha Gupta et al., September 30, 2020). Furthermore, assuming that the measure of penetration for cloud CRM software for 2019, defined as the total market size of CRM software as estimated by Gartner divided by the total selling and marketing expense of listed companies, is standardized as 1.0 for the United States, the same level of penetration based on this standardized level for the United States would be 0.60 for the United Kingdom but only 0.19 for Japan, demonstrating the room for growth of cloud CRM/CX software in Japan.

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Furthermore, the digital marketing services market in Japan was estimated by IDC to be approximately US$3.8 billion on an annual basis as of 2019 and the online advertising market in Japan was estimated by Dentsu Inc. to be approximately US$19.1 billion on an annual basis in its report "Advertising Expenditures in Japan for 2019." We believe the flexible and extensible nature of our KARTE Suite positions us to take wallet share from incumbent services in the customer support and online advertising sectors, areas which we believe our KARTE Suite has the potential to expand into by leveraging our existing customer relationships and KARTE Suite's unique real-time, onsite and end-to-end functionality.

Finally, the overall size of Japan's e-commerce market (including both BtoC and BtoB (retail)) was estimated to be approximately US$194 billion for 2019 according to the Ministry of Economy, Trade and Industry of Japan, using an exchange rate of JPY to USD of 110.0. While these markets do not directly equate to wallet size for CX solutions, we believe that awareness of the importance and value of CX will be driven by, among other things, a growing e-commerce market in Japan, which in turn positions us for further revenue growth since a substantial portion of our customers are in the e-commerce sector. For the fiscal year ended September 30, 2020, approximately 35.2% of our subscriptions were from the e-commerce sector (including companies from the apparel, beauty/cosmetics, lifestyle goods and general retail businesses), and the total gross merchandise value, or GMV, from purchase transactions using our KARTE Suite at our customers was approximately ¥1,972 billion on an annualized basis based on figures for the month of September 2020, which equates to 9.2% of the overall size of Japan's e-commerce market mentioned above.

We believe that the Japan market presents unique opportunities for us to continue to grow our business. In addition to the points mentioned above, including room for further expansion of digital marketing spend by

Japanese companies, the lack of dominant domestic companies focused on marketing technology and SaaS, the high level of service expected by corporate clients, the concentration of corporate clients in Tokyo and its surrounding areas, and the access to high quality engineering resources, are all factors that we believe that we can leverage together with our competitive strengths to further expand our presence and business opportunities in Japan.

Our Strengths

We believe we have a number of competitive advantages that will enable us to maintain and extend our leadership position in digital CX solutions in Japan. Our competitive strengths include:

Our unique one-stop platform delivers true real-time functionality and facilitates a self-reinforcing product improvement cycle

KARTE Suite provides a differentiated one-stop platform that empowers organizations of all types, industries and sizes to enhance their digital CX and marketing efficiency by enabling them to deliver dynamic, context-driven and personalized experiences to their individual customers informed by real-time analysis of customer onsite activity. While there are various point solutions, such as CRM, MA and database management and analytics tools, that address one or more of the functions that our platform delivers, we believe that our KARTE Suite offers a level and range of real-time and end-to-end functionality that is currently unmatched. In particular, while existing solutions enable their users to collect, segment, visualize and analyze customer data and to improve their marketing and other engagements with customers based on such data, their primary focus has been on historical data and offsite actions, whereas KARTE Suite provides truly real-time functionality which enables our customers to visualize onsite activity as it is occurring and to design and implement personalized, real-time actions and experiences based on a customer or a segment in response thereto. Our powerful, proprietary data analytics engine is capable of capturing and analyzing user and event data within fractions of a second of the data being generated, which we believe is significantly faster than competing solutions. Further, we believe our KARTE Suite is relatively easy to implement and operate in contrast to other point solutions, which can often require complicated configuration and integration on a customer by customer basis, thereby lowering the skill set need to effectively access the benefits offered by our KARTE Suite. Leveraging this truly real-time and unique onsite functionality, as well as its relatively easy implementation and operation, organizations are able to create more timely and personalized engagements with their customers through a variety of digital channels informed by constantly up-to-date customer data.

We also believe that our KARTE Suite facilitates a self-reinforcing product improvement cycle for our customers. With the differentiated functionality provided by KARTE Suite, our customers can gain a deeper level of understanding about their customers, which allows them to create more timely, personalized and effective customer interactions, improve customer service and elicit valuable customer feedback that can be used to drive better products and services, a larger customer base and improved brand awareness. All of this, in turn, provides more customer data for the organization and may lead to refined and expanded uses of KARTE Suite, thereby unlocking further value of KARTE Suite for our customers and incentivizing them to renew and expand their subscriptions with us.

We are a pioneer and a market leader in the CX software market in Japan, with a strong and well-diversified customer base

We believe our KARTE Suite is the first digital marketing solution to be developed and offered in Japan that delivers true, real-time functionality to users. This differentiated functionality has helped us to establish ourselves as a market leader in the nascent but growing CX software market in Japan. Since launching KARTE (for Web) in March 2015, we have quickly and steadily grown our customer base, which consists of businesses and other organizations of varying types, industries and sizes with a shared recognition that enhancing their CX and onsite digital marketing strategy is vital to achieving success in today's increasingly complex marketplace. As of September 30, 2020, we had 474 customers and a combined 710 subscriptions for KARTE (for Web) and KARTE for App, which was launched in March 2018, indicating that many customers have more than one subscription with us.

Customers that have deployed our products and solutions include leading companies within their respective industries in Japan, among which are two of the top three domestic companies in each of the following categories (in each case based on net sales for the most recent fiscal year or in the case of the commercial banks, ordinary revenue, and in the case of rental property websites, customer satisfaction rankings by Oricon (2019) Customer Satisfaction Ranking of the Rental Housing Information Websites): commercial banks, online securities firms, retailers and rental property websites, as well as the top three domestic telecommunications companies (based on sales for the most recent fiscal year). Between September 30, 2017 and September 30, 2020, we were able to grow the number of customers with over ¥1 million in MRR by approximately nine times, demonstrating the attractiveness of our KARTE Suite for larger customers.

In terms of industry representation, for the fiscal year ended September 30, 2020, approximately 35.2% of subscriptions were from the e-commerce sector (including companies from the apparel, beauty/cosmetics, lifestyle goods and general retail businesses) and approximately 12.7% were from companies in the human resources/staffing sector. The rest were from, among others, the financial services, media, real estate, manufacturing, transportation sectors. No single customer represented more than 10% of our MRR. For the month of September 2020, our top ten customers accounted for 21.5% of our MRR.

Our robust KARTE ecosystem is supported by strong partnerships and products relationships

The KARTE Suite ecosystem is buttressed by a number of key partnerships, including with our strategic partner, Google, our distribution partners, such as salesforce.com, Inc., which provide us with access to their broad customer bases, and our consulting partners, such as NRI digital, Ltd., or NRI digital, and transcosmos inc., or transcosmos, who market our KARTE Suite as part of their consulting and other services to their clients and provide further opportunities to expand our customer base. In particular, pursuant to our strategic partnership with Google, we will collaborate with Google to integrate GCP's machine learning and artificial intelligence technology into our KARTE platform, and we expect to be able to provide businesses with a highly functional, highly scalable and secure cloud platform that will enable end-users to personalize and improve their CX as a result. These partnerships have played an important role in our growth so far, and we expect them to play a key role in further accelerating our distribution strategy going forward.

We also maintain mostly informal arrangements with developers and providers of software, tools or solutions that can be integrated with our KARTE Suite through APIs and other extension tools to provide broader and enhanced functionality to our products and solutions for the benefit of our customers. This includes expanding the sources of data that can be captured by and integrated into our KARTE Suite, and diversifying the channels through which our customers are able to engage with their website visitors and mobile application users. Key product partners include looker (which is now part of Google), salesforce.com, Marketo, shopify and SendGrid. Associations with our product partners demonstrate the extensible nature of our KARTE Suite and provide further opportunities to expand our customer base and website/mobile application deployments.

We have a strong land and expand model

KARTE Suite's quick deployment, relative ease of use and simple pricing model make it easier for an organization to introduce it as part of its digital marketing strategy, while its flexible configuration and multi-faceted extensibility enable organizations to further adapt it to meet their growing and evolving needs and integrate it with existing tools and solutions. These characteristics form the foundation of our land and expand model, in which we seek to increase revenues from our existing customers through:

- additional subscriptions for deployments on other websites or mobile applications operated by the customer;
- upselling and cross-selling other KARTE solutions and add-on options; and
- subscription renewals and upselling related to MAU growth at customers' websites or apps.

Within larger organizations, deployment of our products and solutions on one website or mobile application can often lead to additional deployments within that same organization, particularly as the organization discovers additional uses for our KARTE Suite to drive further value. Many of our customers have moved beyond using our KARTE product and solutions simply for onsite or on-App marketing, and are using them for other distinct purposes, such as market research, customer data platform, customer support/success, O2O (offline and online) sales support and business development. In addition, since a major portion of our subscriptions is for KARTE (for Web), our other solutions, including KARTE for App and KARTE Datahub, KARTE Live and various other add-on options, provide key upsell and cross-sell opportunities for us. Further, because our subscription fees are determined in part on our customers' MAU levels, our pricing model helps to convert the successful use of our products and solutions by our customers into increased revenue opportunities for us. Through these opportunities, it is not uncommon for customers to dramatically increase their MRR after their initial contract with us. For example, we have particular customers in the e-commerce, travel, financial services and human resources/staffing sectors whose MRR has increased 36x, 42x, 66x and 87x, respectively, within 58 months, 58 months, 44 months and 56 months, respectively, of their initial contracts.

We monitor our ARPA and ARPC as key metrics indicating how much customers value our products and solutions as well as our ability to upsell and cross-sell additional products and solutions to our customers. Since launching KARTE (for Web), our ARPA has steadily and continuously increased and reached ¥515,317 as of September 30, 2020 (achieving a CAGR of 32.5% over the three-year period ended September 30, 2020) and our ARPC has steadily and continuously increased and reached ¥771,888 as of September 30, 2020 (achieving a CAGR of 34.3% over the three-year period ended September 30, 2020). We also monitor our NRR, which indicates revenue growth within cohorts of existing customers as a key performance indicator for our land and expand model. As of and for the year ended September 30, 2020, our average NRR, presented on a monthly average basis for the last twelve months was 102.3%, indicating strong expansion of revenue within that cohort of customers. See the "Glossary—net revenue retention" for a description of our calculation methodology. We believe our ARPA and our subscription revenue ratio are higher than many other major SaaS companies operating in Japan, and although such companies operate in other SaaS areas that may have different business models than CX software, we believe this is indicative of our strength as a SaaS company.

Our Growth Strategy

Leveraging our strong land and expand model and other strengths described above, we will pursue further growth through the acquisition of more customers and continued expansion of sales to our existing customer base. In particular, we will seek to:

Drive new customer sales via an efficient sales strategy

As described above under "—Our Market Opportunity," we believe that the market for KARTE Suite remains largely underpenetrated across a wide range of industries in Japan. We will continue to promote the acquisition of new customers through reliance on our internal sales and marketing teams and initiatives as well as our partner network. We recently restructured our internal sales a part of our marketing team into three-team revenue group: the deal generation team, sales team and account planning team. Our deal generation team is focused on initiating the sale process for potential customers from sales leads, and our sales team, which is comprised of an enterprise team focusing on large organizations and a midmarket team focusing on all other organizations, is focused on both attracting new customers as well as renewing, and expanding the use of our products and solutions within, our existing customer base. Our internal sales and marketing teams generated approximately 86% of our net sales for the fiscal year ended September 30, 2020, so they are a critical part of our business, and we will continue to evaluate and focus on how to further strengthen them to continue to drive growth from new customers in an efficient manner. We believe that we have a higher sales efficiency, which we define as (i) the subscription revenue for a given fiscal year minus subscription revenue for the previous fiscal year divided by (ii) sales and marketing expenses for the previous fiscal year, with our sales efficiency of 72% for the fiscal year ended September 30, 2020, than most other major SaaS companies in Japan and the Unites States.

In order to maximize the universe of potential new KARTE users, we continuously evaluate our subscription plans, and in particular, our pricing options, and will continue to do so in the future. However, we put a particular focus on acquiring new customers that are large and reputable companies that have the potential to result in high MRR or are beneficial to the brand of our KARTE Suite.

Lastly, we also plan to deepen and expand our distribution network through our partner ecosystem. In particular, we will seek to leverage our relationships with our strategic partners, such as Google, whereby we will collaborate to integrate GCP's machine learning and artificial intelligence technology into our KARTE platform to make it even more attractive and useful for prospective customers. By marketing and offering our products and solutions in collaboration with our strategic partners and otherwise leveraging our strategic partnerships, we expect to be able to further expand our customer base and website/mobile application deployments in a cost effective manner to us. We believe that leveraging partnerships to drive sales growth is important for increasing penetration in the Japan market, as many Japanese companies have relationships with Google or other distribution or consulting partners.

Further expand sales within our existing customer base

We seek to generate additional revenue from our existing customers by promoting increased use of our KARTE Suite within organizations, and by helping our customers succeed in their CX strategies to drive increase in their MAUs. In particular, we will seek to further increase average revenue for our existing customers by expanding our products and services to additional website/mobile application deployments within an organization. For example, we intend to promote the adoption of our products and solutions by larger organizations that operate distinct businesses or have additional use cases for which our products and solutions could be deployed, and by affiliated entities of existing customers operating outside of Japan. We will also seek to upsell value-add options, such as KARTE Datahub and KARTE Live and cross-sell other products to existing KARTE (for Web) users, such as KARTE for App. We will also focus on annual subscription renewals as a means to maintain and increase our average revenue for our existing customers. Under our subscription model, in which pricing is based in principle on a customer's website or mobile application MAU levels, renewals by customers that have increasing MAUs often lead to an increase in subscription fees for us.

Recognizing that many organizations rely on multiple solutions and tools as part of their existing database management and digital marketing strategies, we will continue to strengthen the KARTE Suite ecosystem and demonstrate the extensible nature of our KARTE Suite through additional product tie ups to ensure that KARTE Suite users continue to be able to integrate our products and solutions with their other data and digital marketing tools.

Under our restructured internal sales and marketing structure, our sales team and account planning team are responsible for renewing and expanding the use of our products and solutions within our existing customer base. Our sales team covers both existing and new customers, whereas our account planning team is focused on existing customers including helping customers maximize their utilization of KARTE Suite. As mentioned above, our internal sales and marketing teams generate approximately 86% of our net sales, so they are a critical part of our business, and we will continue to evaluate and focus on how to further strengthen them to continue to drive growth from existing customers in an efficient manner.

Since launching KARTE (for Web), our ARPA has steadily and continuously increased and reached ¥515,317 as of September 30, 2020 (achieving a CAGR of 32.5% over the three-year period ended September 30, 2020) and our ARPC has steadily and continuously increased and reached ¥771,888 as of September 30, 2020 (achieving a CAGR of 34.3% over the three-year period ended September 30, 2020). We believe there is room to further increase our ARPA and APRC.

Seeks ways to leverage the value of accumulated data

As a platform solution that operates between websites and mobile applications and their visitors, we are uniquely positioned to capture insights from accumulated data, which can be used to further refine and expand our products and solutions. In particular, KARTE (for Web) or KARTE for App is prominently used in the e-commerce industry, which generates a significant amount of customer data. The total GMV from purchase transactions using our KARTE Suite at our customers was approximately ¥1,972 billion on an annualized basis based on figures for the month of September 2020, which we believe compares favorably with other major e-commerce companies operating in Japan. Based on the size of the e-commerce market of BtoC and BtoB retail in Japan for 2019 of US$194 billion according to the Ministry of Economy, Trade and Industry using an exchange rate of JPY to USD of 110.0, our GMV represented approximately 9.2% of the overall Japanese e-commerce market. Furthermore, for the fiscal year ended September 30, 2020, approximately 35.2% of our subscriptions were from the e-commerce sector (including companies from the apparel, beauty/cosmetics, lifestyle goods and general retail businesses). We will also consider ways to broaden and deepen our relationships with existing customers and to attract new customers in the future by leveraging our accumulated data and the insights that we believe can be derived therefrom.

Company Information

Our headquarters is located at Ginza Six, 10th Floor, 6-10-1 Ginza, Chuo-ku, Tokyo 104-0061, Japan. Our main telephone number is +81-50-5434-8563. Our corporate internet website is *https://plaid.co.jp*. The information on, or that can be accessed through, our website does not constitute a part of this offering circular.

Recent Developments: COVID-19 Pandemic

The ongoing COVID-19 pandemic has put pressure on the global economy, including Japan. The macroeconomic impacts of COVID-19 are significant and continue to evolve, including, among other things, changes in consumer behavior and downward pressure on the liquidity and cash flows of many businesses, including our customers. We continue to assess the impacts of the COVID-19 pandemic on our business and the businesses of our customers. See "Risk Factors—The ongoing COVID-19 pandemic could disrupt our business or the businesses of our customers, and the results of our operations could be harmed" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments: COVID 19 Pandemic."

Summary Risk Factors

An investment in shares of our common stock involves significant risks, and prospective investors are urged to carefully consider the matters discussed under "Risk Factors" prior to making an investment in our units. Such risks include, but are not limited to:

- lack of, or slower than anticipated, development of the market for CX and onsite digital marketing software and solutions;
- our limited operating history and rapid growth, which makes it difficult to evaluate our historical results and future prospects;
- our inability to sustain our historical growth rates or to effectively manage our future growth;
- our history of net losses and inability to achieve or sustain profitability in line with our long-term financial model or at all;
- a downturn in the general economic environment of Japan;
- the ongoing effects of the COVID-19 pandemic, including its macroeconomic effects, on our business, operations, and financial results;
- our inability to attract new customers, retain existing customers or increase sales both to new and existing customers;
- our inability to develop enhancements to our existing products and solutions or develop new products and solutions that achieve market acceptance or meet customer preferences and that keep pace with technological developments;
- increasing competition in the market for software addressing onsite CX, including onsite digital marketing;
- our lack of experience with subscription pricing models and our inability to accurately predict optimal pricing necessary to attract new customers and retain existing customers while maintaining acceptable margins;
- our inability to develop and maintain successful relationships with certain partners;
- our overestimation of the size of our total addressable market;
- unfavorable changes in applicable laws and regulations or in user behavior relating to the Internet and information and data privacy and security;
- breaches of our network or computer systems or unauthorized access to our customer data;
- interruptions or performance problems, including real or perceived errors, failures or bugs, associated with our technology and infrastructure or cloud infrastructure provided by our third-party cloud data center providers; and
- our inability to adequately protect our intellectual property or are subject to intellectual property claims.

For a discussion of these and other risks you should consider before making an investment in our common stock, see the section entitled “Risk Factors.”

The Global Offering

Global Offering	14,339,000 shares of our common stock being offered in the international offering and the Japanese offering.
International Offering	11,716,500 shares, consisting of 1,240,600 newly issued shares to be sold by us and 10,475,900 existing shares to be sold by the international selling shareholders named in this offering circular. The international shares are being (i) offered by the international managers in offshore transactions outside the United States and Japan in reliance on Regulation S under the Securities Act and (ii) placed inside the United States through the U.S. selling agents of the international managers to persons reasonably believed to be QIBs in the United States in reliance on Rule 144A under the Securities Act, all as described in "Offering and Sale."
Japanese Offering	2,622,500 shares, consisting of 281,400 newly issued shares to be sold by us and 2,341,100 existing shares to be sold by the domestic selling shareholders in the Japanese offering. The Japanese shares are being offered to the public in Japan by the Japanese underwriters, concurrently with the international offering.
Over-allotment	We have granted Mizuho Securities Co., Ltd., as representative of the Japanese underwriters, an option to purchase up to an additional 716,000 shares of our common stock in connection with any over-allotments in the Japanese offering. See "Offering and Sale."
Selling Shareholders	The international selling shareholders and the domestic selling shareholders.
International Selling Shareholders	JAPAN VENTURES I L.P., Femto Growth Capital LPS, Femto Startup LLP and Femto Growth Fund 2.0 LPS.
Domestic Selling Shareholders	Kenta Kurahashi, Naoki Shibayama, JAPAN VENTURES I L.P., MITSUI & CO., LTD., MSIVC2018V Venture Capital Investment Limited Partnership, SMBC Venture Capital No.4 Investment Limited Partnership, Mizuho Growth Fund No.2 Limited Partnership and Mitsubishi UFJ Capital VI, Limited Partnership.
Joint Global Coordinators	Mizuho Securities Co., Ltd. and BofA Securities Japan Co., Ltd.
International Joint Lead Managers	Merrill Lynch International and Mizuho International plc
Japanese Joint Lead Managers	Mizuho Securities Co., Ltd. and BofA Securities Japan Co., Ltd.
Offer Price	¥1,600 per share
Use of Proceeds	We estimate that the net proceeds that we will receive from the sale by us of the newly issued shares in the global offering will be approximately ¥2,004 million, or ¥3,064 million if the over-allotment option is exercised in full, in each case after deducting estimated underwriting discounts and estimated offering expenses payable by us. We intend to use the net proceeds from the global offering for working capital to develop infrastructure to further strengthen and smoothly operate our systems, in particular our KARTE Suite, and for increased hiring and personnel-related expenses in connection

	with the growth of our business, including additional hiring of software engineers and business and customer support personnel. See "Use of Proceeds." We will not receive any proceeds from the sale of existing shares by the selling shareholders in the global offering.
Dividend Policy	We believe that returning profits to our shareholders is an important business policy. However, given that we are currently in the process of growing our business, we intend to prioritize enhancing our capital reserves for the purposes of strategically investing in further improving our services, securing human capital and strengthening our management base. For these reasons, for our most recently completed fiscal year, we prioritized maintaining our capital reserves and did not declare any dividends. We intend to use funds from our capital reserves to invest in improving our profitability and diversifying our earnings base, starting with strengthening our financial position and expanding and developing our personnel. Although we have not declared any dividends since our founding, in the future, we intend to examine returning profits to our shareholders taking into account our business environment and our financial performance and condition. Declaration of future dividends, including specific timing and amounts, remains undecided. See "Information Concerning Our Capital Stock—Dividend Policy."
Total Issued Shares	As of the date of this offering circular, there are 35,408,900 shares of our common stock issued.
Voting Rights	Shareholders of our common stock are entitled to one voting right for each unit of shares held by them. Currently, one unit consists of 100 shares. See "Description of Common Stock—Voting Rights."
Withholding Tax	Unless reduced or exempted by an applicable income tax treaty, dividends payable by us to non-residents of Japan or non-Japanese corporations without a permanent establishment in Japan are generally subject to Japanese withholding tax at the rate of (i) 15.315% for dividends to be paid on or before December 31, 2037 and (ii) 15% for dividends to be paid thereafter, except for dividends paid to any individual shareholder who holds 3% or more of our total issued shares, for which the applicable rate is 20.42% on or before December 31, 2037 and 20% thereafter. See "Taxation—Japanese Taxation."
Payment and Settlement	Payment for the newly issued shares to be sold by us in the international offering will be made in yen for value on or about December 16, 2020, payment for the existing shares to be sold by the international selling shareholders will be made in yen for value on or about December 17, 2020, and delivery of the shares to be sold in the international offering will be made through the facilities of JASDEC in Tokyo, on or about December 17, 2020. See "Offering and Sale."
Lock-up Agreements	We, the selling shareholders and certain of our shareholders have agreed with the joint global coordinators to lock-up arrangements,

	subject to certain customary exceptions, for a period beginning on the date of this offering circular and ending on the date that is 180 or 360 calendar days, as applicable, from and including the date our shares are listed and admitted for trading on the Tokyo Stock Exchange, as described under "Offering and Sale—Lock-up Agreements."
Listing	Our shares are currently not listed on any stock exchange nor publicly traded in Japan. Tokyo Stock Exchange has approved the listing of our common stock. It is expected that the listing will become effective and that trading will commence on or about December 17, 2020 (Tokyo time).
Security Codes	ISIN: JP3833270006 Securities Identification Code: 4165 SEDOL: BMCWCB2

RISK FACTORS

Prior to making an investment decision, you should carefully consider the following risks, along with other information in this offering circular, including our financial statements and related notes and other financial information, as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Our business, financial condition and operating results could be materially and adversely affected by various factors, including the risks faced by us described below and elsewhere in this offering circular. This offering circular also contains forward-looking statements that involve risk and uncertainties. See "Forward Looking Statements."

Risks Related to our Business and Industry

If the market for CX and onsite digital marketing software and solutions like ours does not develop further or develops more slowly than we anticipate, our business, results of operations and financial condition could be harmed

Our growth strategy depends in large part on the continued expansion of the market in our primary market of Japan for cloud-based software and solutions that enable organizations to enhance their digital CX and marketing through the real-time analysis of customer onsite activity. The market for this type of cloud-based software and solutions is relatively new in Japan, and it is uncertain whether Japanese businesses and organizations will continue to adopt and expend resources on such tools to the extent we anticipate. As a result, market acceptance and effective use of such software and solutions, particularly within Japan where nearly all our current customers are based, is critical to our future growth and success.

Demand for software and solutions that address digital CX and marketing, in general, and our KARTE Suite in particular, is affected by a number of factors, many of which are beyond our control. Some of these potential factors include:

- awareness of such software and solutions generally, and the willingness of organizations to invest in them;
- continued market acceptance of, preference for and effective use of such software and solutions by customers for existing and new use cases;
- ease of adoption, use and integration with other existing software and solutions;
- attitudes toward cloud-based computing services in general, including concerns relating to information security, data protection and personal privacy;
- attitudes toward the collection, analysis and use of data relating to individuals to generate business intelligence;
- accessibility and compatibility across different devices, operating systems and applications;
- availability and quality of our customer success activities including ongoing product training and customer support;
- continued innovation;
- pricing; and
- the COVID-19 pandemic and its related effects.

We generate and expect to continue to generate substantially all of our revenue and cash flows from subscriptions to products within our KARTE Suite. Therefore, if demand for this type of software fails to grow or grows more slowly than we currently anticipate, demand for our products could be negatively affected and our results of operations and financial condition could be materially affected.

Our limited operating history and rapid growth make it difficult to evaluate our historical results and future prospects, and there is a risk that we will not continue to grow at or near historical rates

We have only a limited track record operating our business following the launch of our first commercial product KARTE (for Web) in March 2015. As a result, our business model remains relatively untested, and it is difficult to compare our historical results across periods and assess the past performance of our business and our future prospects. We may also face difficulties effectively planning for and modeling future growth based on our historical results due to our limited track record. In addition, we expect to continue to face risks and uncertainties frequently experienced by growing companies in rapidly developing industries, including the risks and uncertainties described herein. If our assumptions regarding these risks and uncertainties, which we use to plan and operate our business and model our future growth, are incorrect or change, or if we do not address these risks successfully, our operating and financial results could differ materially from our expectations and our business could suffer.

Accordingly, although we have experienced rapid revenue, customer and subscription growth since launching KARTE (for Web) in March 2015, such growth should not be considered indicative of our future performance or growth. While we continue to develop and release products based on customer demand, such as KARTE for App, or to enable our subscribers to extract more value from their existing KARTE services, such as with our KARTE Datahub product, there is no guarantee that such products will contribute to our future growth in the manner or to the extent that we expect. In future periods, our net sales or number of customers could grow more slowly than in prior periods or decline for a number of reasons, including due to reduced demand for our KARTE platform, increased competition, limited ability to, or our decision not to, increase pricing, contraction of the digital CX software market, or our failure, for any reason, to acquire new customers and to capitalize on growth opportunities and anticipate and address the risks described elsewhere in this offering circular. For example, our year-over-year net sales growth decelerated for the fiscal year ended September 30, 2020 compared to the prior fiscal year due to increased client churn resulting from difficulties in providing sufficient customer support for new customers after new product launches in 2018 due to limited customer support personnel and the impact of the COVID-19 pandemic on client acquisition activities.

We have a history of net losses and we may be unable to achieve or sustain profitability in line with our long-term financial model or at all

We have incurred net losses in each fiscal year since our inception. In the fiscal years ended September 30, 2018, 2019 and 2020, we incurred net losses of ¥230,169 thousand, ¥840,993 thousand and ¥1,207,388 thousand, respectively. Due to the nature of our business, we continue to incur relatively high server costs, and we continue to invest heavily in growing our business and expect to incur significant additional operating expenses related to:

- sales and marketing, including continued expansion of our direct sales teams and increase in incremental marketing or advertising costs to acquire new customers as our customer base expands;
- continued development of our KARTE Suite, including investments in our personnel covering product development, the development or acquisition of new products, features and functionality, and improvements to the security, scalability, availability, flexibility or extensibility of our products and solutions;
- initiatives with our strategic and business partners, including Google;
- hiring of additional employees focused on software engineering and platform infrastructure; and
- general administration, including legal, accounting and other expenses related to our obligations as a newly public company.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Our Results of Operations—Cost of Sales" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Our Results of Operations—Selling, General and Administrative Expenses."

While we expect such expenses to negatively impact our near-term profitability, over the longer term, our objective is to control such expenses through more efficient use of servers and greater leverage on our sales and marketing and general administrative costs as we continue to expand our revenue to reach higher levels of gross profit and operating profit margins.

Our ability to achieve and maintain profitability in line with our long-term financial model depends in part on our ability to effectively control our costs. For example, our margins would be negatively impacted if our server costs, which are the primary component of cost of sales, increase beyond our expectations. Server costs could increase due to a number of factors, including increases in the pricing of third-party cloud infrastructure, increases in customers with highly active user bases that generate higher server costs per MAU or our failure to achieve or maintain optimized system settings as our customer and subscription bases continue to grow. Although we intend to pass on any increases in server costs to our customers, there is no assurance that we will be successful in negotiating increased fees. See "—We do not have the history with our subscription pricing models that we need to accurately predict optimal pricing necessary to attract new customers and retain existing customers while maintaining acceptable margins."

Furthermore, while we have experienced significant revenue, customer and subscription growth in recent years, there can be no assurance that our KARTE Suite and related services will generate sufficient additional revenue to offset our expenses and, as a result, we may not be able to achieve profitability on the timeline in which we anticipate, or at all, and we may continue to incur net losses for the foreseeable future. A failure by us to achieve or sustain our profitability on a consistent basis in the future could cause the value of our common stock to decline.

A downturn in the general economic environment of Japan where we have operations could have a material adverse effect on our business, financial condition and results of operations

To date, we have generated substantially all of our revenue from subscriptions with businesses in Japan. Our subscription revenue ratio for the fiscal years ended September 30, 2018, 2019 and 2020 was 89.0%, 94.2% and 95.3%, respectively. Accordingly, our results of operations are affected by general economic conditions in Japan. A downturn in the Japanese economy or a significant reduction in technology investments by Japanese businesses, for example in e-commerce platforms which comprised 35.2% of our subscriptions as of September 30, 2020, or other unfavorable market conditions that could have a material adverse effect on our business, financial condition and results of operations.

Economic indicators in Japan have recently shown mixed signs and future growth of the Japanese economy is unclear. For most of 2019, the Japanese economy continued to recover gradually, primarily due to the recovery of private consumption. However, near the end of 2019, the Japanese economy turned worse, reflecting the impact of natural disasters such as typhoons and the consumption tax increase in October 2019, among other things, and continued to deteriorate in the beginning of 2020 as the COVID-19 pandemic began to spread. During the second quarter of 2020, the Japanese economy experienced a sharp contraction, which reflected the impact of the COVID-19 pandemic, including the effects of the state of emergency declared by the Japanese government between April and May 2020, as well as other factors such as restrictions on international travel and the broader global economic slowdown. The decline in Japan's GDP for the quarter was driven primarily by decreases in private consumption and net exports. Despite showing signs of picking up since July 2020, the Japanese economy is expected to remain in a difficult state for the time being, due to factors such as decreased consumption, primarily in the service-related sector, and capital investments.

Although the Japanese government is currently implementing expansionary monetary and fiscal policies in order to counter the effects of the COVID-19 pandemic and deflation, there is no guarantee that such policies will succeed in countering the effects of the COVID-19 pandemic, maintaining low long-term interest rates or stimulating consumer spending which is a key factor for many of our customers' businesses.

The ongoing COVID-19 pandemic could disrupt our business or the businesses of our customers, and the results of our operations could be harmed

The COVID-19 pandemic has impacted our client acquisition activities and other aspects of our business. However, the extent to which the COVID-19 pandemic impacts our business going forward will depend on numerous evolving factors we cannot reliably predict, including the duration and scope of the pandemic; governmental, business, and individuals' actions in response to the pandemic; and the impact on economic activity including the possibility of recession or financial market instability. These factors may adversely impact consumer, business, and government spending on technology as well as customers' ability or willingness to pay for CX products and services, including our products and services, on an ongoing basis. Although customers in certain industries, such as e-commerce, have benefited comparatively from the COVID-19 pandemic, customers in other industries, such as tourism, transportation, food/beverage and brick and mortar retailers, have been adversely affected, which may limit our growth opportunities in those customer segments.

In response to guidelines issued by national and local government in Japan as well as the reaction more broadly from businesses and the general population in Japan and abroad, we have refrained from holding live promotional and other marketing events. We have also held webinars and large online conferences, such as our KARTE Conference, as a substitute for traditional meetings and conferences, and business negotiations with counterparties have been taking longer due to the inability to meet face-to-face. These adjustments to our business practices could negatively impact the effectiveness of our sales, marketing and branding initiatives. We continue to assess the impact of the COVID-19 pandemic on our business and the businesses of our customers.

In addition, we have taken certain measures to protect the health and well-being of our employees and their families in response to the COVID-19 pandemic, including implementation of remote working arrangements. These measures have resulted in certain additional costs associated with the implementation of remote working technologies, and there is no guarantee that such measures will be successful and that our employees, and therefore our business operations, will not be adversely impacted by the COVID-19 pandemic. Such measures, including remote work arrangements, may also increase our cybersecurity risk. See also "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments: COVID-19 Pandemic."

If we are unable to attract new customers, retain existing customers or increase sales both to new and existing customers, our business and results of operations will be affected adversely

A key part of our growth strategy is to attract new customers while also retaining our existing customers and expanding sales generated by them. While we have historically achieved rapid growth in our customer and subscription bases, there is no assurance that we will continue to acquire new customers at historical levels or at all.

Our ability to attract new customers is subject to a number of factors, some of which are outside of our control, including:

- limited generation of sales leads through existing customers, marketing events or advertisements;
- limited staff dedicated to sales, particularly outbound sales;
- the inability to convince potential customers of the value of our products for their business and operations relative to other similar competing products and services;
- increases in our costs which may force us to raise our product pricing for potential customers;
- the ineffectiveness of our sales and marketing activities;
- potential customers' lack or limited budget for the types of products and solutions we provide;
- competitive factors affecting the cloud-based business software market generally or the CX software market in particular, including the introduction of competing products and solutions, discount pricing and other strategies that may be implemented by our competitors;
- customers' inability to integrate our products and solutions with their existing data management or digital marketing tools;
- lack of personnel at potential customers who can effectively operate our products and solutions;
- the timeliness and success of new products and solutions and functionality we may offer;
- concerns relating to actual or perceived security breaches or the strength of our data protection policies and measures;
- changes in, including termination of, relationships with our distribution and consulting partners who market our products; and
- the COVID-19 pandemic and its related effects.

We also face a number of challenges in retaining our existing customers and increasing sales to existing customers, including:

- the introduction of functionally superior or lower priced products by our competitors;
- the difficulty and cost to switch to a competitor may not be significant for many of our customers;
- reductions in our current customers' spending levels;

- lack of personnel at our customers who can effectively operate our products and solutions;
- decline in our customers' usage of our products and solutions due to a decreased level of satisfaction with their functionality or results, an increased perception that benefits offered by our products and solutions can be achieved or surpassed with internally developed solutions or otherwise without use of our products and solutions or other reasons;
- the insufficiency or ineffectiveness of our customer success efforts, including product training and ongoing customer support;
- the timeliness and success of new or enhanced products and solutions and functionality we may offer;
- limited ability to increase fees for existing customers during the subscription period or when we renew our contracts with them;
- the inability to increase sales through expanding the number of subscriptions within existing customers or convincing existing customers to purchase additional products;
- decreased traffic to existing customers' websites or mobile applications or decrease in use or interest in existing customers' products or services causing existing customers to lose their incentive to use our KARTE Suite products; and
- the COVID-19 pandemic and its related effects.

We rely on our reputation and recommendations from our existing customers to promote our products and solutions. The loss of any of our existing or future customers could have a significant impact on our business reputation and our ability to obtain new customers. In addition, acquisitions or consolidations of our customers could lead to cancellation of our contracts with them. Failure to attract new customers and to retain and increase sales to existing customers will harm our business and results of operations.

If we are not able to develop enhancements to our existing products and solutions or develop new products and solutions that achieve market acceptance or meet customer preferences and that keep pace with technological developments, our business and results of operations would be harmed

The market for cloud-based software addressing onsite CX and digital marketing is rapidly evolving, and we must continuously work to enhance and improve, or otherwise make changes to, our existing products and solutions and to introduce compelling new products and solutions in order to be successful. If we fail to keep pace with customer preferences and technological advances in developing new and enhanced products and solutions, our products and solutions may fail to achieve market acceptance, which could negatively impact our ability to maintain and expand our customer base. Any new solutions or enhancements, or other changes, to existing products and solutions that we develop may not be introduced in a timely or cost-effective manner, may contain errors, vulnerabilities or bugs, or may not achieve the market acceptance necessary to generate significant revenue. Moreover, even if we introduce new products or solutions or functionality for existing products and solutions, we may experience a decline in revenue of our existing products and solutions that is not offset by revenue from the new products or solutions. The introduction of new products and solutions, or other changes, could subject us to new or enhanced risks, including increased operational, reputational or regulatory risks. If we are unable to successfully develop new products and solutions, enhance our existing products or solutions to meet customer requirements or otherwise gain market acceptance, or other changes we make to our existing products and solutions are negatively received by our customers, our business, results of operations, and financial condition would be harmed.

Our success also depends on our ability to deliver new or enhanced products or solutions to our customers in a format that can be easily and consistently deployed without significant difficulties or disruptions to their operations. If our customers believe that deploying our new or enhanced products or solutions would be overly time-consuming, confusing or technically challenging, then our ability to grow our business would be substantially harmed. We must also identify important and emerging use cases for our customers and quickly develop and market new and effective products and solutions to address such use cases. For example, we did not initially offer a product for deployment on mobile devices, but in March 2018 we launched KARTE for App in response to increased customer demand. We also launched KARTE Datahub in December 2018, which allows subscribers to integrate their existing customer data into KARTE, and KARTE Live in April 2019, which allows users to see their customers' actions on their website from the customers' perspective. If we are unable to promptly respond to evolving customer demand or identify and develop new features or functionality for emerging use cases in a timely manner and continuously improve and develop such products and solutions, we may lose customers to more innovative competitors or alternative products and solutions, and we may also experience difficulties in attracting new customers and expanding revenue from existing customers.

We anticipate that the market for software addressing onsite CX, including onsite digital marketing may become increasingly competitive, which may adversely affect our business, results of operations and financial condition

The market for cloud-based software addressing onsite CX, such as our KARTE Suite, is relatively new, and we expect it will become increasingly competitive as the market develops. Companies that currently offer products and solutions with some functionality that is similar to that offered by our KARTE Suite, for example, business intelligence software, marketing and data analytics solutions and CRM and MA tools, may seek to compete more directly with our KARTE Suite by expanding their platforms, enhancing product functionality or developing new tools and solutions to better match KARTE Suite's particular strengths, such as real-time analysis and ease of deployment and use, or its end-to-end functionality. In addition, new and emerging companies may enter the onsite CX and digital marketing software market by offering a comprehensive solution that competes directly with our KARTE Suite or more specialized products or solutions that compete with particular aspects of our KARTE Suite. Companies with whom we have product tie-up arrangements may also seek to develop new products or solutions or enhance some of their current products or solutions to compete more directly with our KARTE Suite. These current or future competitors may have longer operating histories, significantly greater financial, technical and other resources, more efficient operating models, lower marketing costs and greater name recognition than us. In addition, some of them may have strong existing relationships with our current and potential customers and partners and more extensive knowledge of markets in which we seek to compete. For example, our competitors with respect to certain functionality provided by our KARTE Suite include large global companies with significant existing customer bases and track records. As a result, they may be able to respond more quickly to new or emerging technologies and changes in customer requirements, for example by devoting greater resources to the development, promotion and sale of their products than we can.

Our ability to compete successfully depends on a number of factors, both within and outside of our control. Some of these factors include ease and speed of product deployment and use, accessibility across mobile devices, operating systems, and applications, discovery and visualization capabilities, analytical and statistical capabilities, performance and extensibility, the quality of our data security infrastructure, the quality and reliability of our customer success efforts, including product training and ongoing customer support, total cost of implementation, return on investment and brand recognition. While there are various point solutions, such as CRM, MA and database management and analytics tools, that address one or more of the functions that our platform delivers, we believe that our KARTE Suite offers a level and range of end-to-end functionality that is currently not offered by our competitors. In particular, we believe our technology enabling real-time analysis and visualization of customer behavior and real-time, personalized customer engagement differentiates our KARTE Suite from other competing products. However, our current or future competitors may in the near future seek to develop technology supporting similar real-time functionality, and some of our competitors have already announced the intention to implement beta versions of products with similar technology. See "Business—Competition."

Increased competition may require us to decrease our subscription or other fees, develop alternative pricing structures or introduce products for free or for a nominal price. It may also lead to fewer customer orders, reduced profit margins, longer sales cycles and loss of market share. In addition, we may not be able to compete successfully against current or future competitors, and our business, operating results and financial condition will be harmed if we fail to meet these competitive pressures.

If we fail to effectively manage our growth, our business and results of operations could be harmed

We have experienced, and may continue to experience, rapid growth in our operations. For example, our full-time employee headcount has grown from 29 full-time employees as of September 30, 2016 to 190 full-time employees as of September 30, 2020. Our number of part-time and temporary employees has also increased. In addition, our number of subscriptions has increased from 162 as of September 30, 2016, when KARTE (for Web) was our sole product, to 710 as of September 30, 2020 for KARTE (for Web) and KARTE for App combined. This rapid growth has placed and may continue to place pressure on our management, technical, administrative and operational resources.

Our future success depends in part on our ability to manage our continued growth effectively. We must continue to improve our management, technical, administrative, operational and financial controls and reporting systems and procedures, and also identify, hire, integrate, train, develop and motivate a large number of qualified employees, particularly software engineers and sales personnel. If we fail to do so, we may find it difficult to effectively manage and develop our existing solutions, develop new features or solutions in a cost-effective, efficient and timely manner or maintain the quality of our solutions, which in turn could adversely impact our ability to retain and expand our customer base, cause damage to our brand and reputation and impair our ability to continue to grow our business.

Further, the growth and expansion of our business into new geographical markets may create significant challenges for our management, operational and financial resources, including managing an increasingly large and diverse customer base located in multiple countries. Failure to effectively expand into and become successful in overseas markets may harm our growth prospects and lead to substantial losses that may have an adverse impact on our business and results operations.

We do not have the history with our subscription pricing models that we need to accurately predict optimal pricing necessary to attract new customers and retain existing customers while maintaining acceptable margins

For our key products KARTE (for Web) and KARTE for App, we typically enter into one-year subscription agreements with our customers. We charge an initial set-up fee and fixed monthly payments, in principle, based on the average MAU for the customer's website or mobile application during the 12 months prior to entering into the subscription agreement. Customers with high average MAU require higher server costs than customers with low average MAU and accordingly we charge high average MAU customers a higher subscription rate than we do low average MAU customers.

However, our pricing models may not be sufficient to offset server costs for customers whose MAU increases rapidly over the course of an annual subscription period, which could result in lower gross margins. In addition, our margins may also be affected to the extent we acquire customers with highly active user bases generating a larger number of events, which result in higher server costs per MAU compared to customers with less active user bases. Although we attempt to negotiate increased fees upon subscription renewal for customers where costs associated with the subscription exceed our expectations, in particular based on the average MAU of our customers, there is no assurance that we will be successful in negotiating increased fees with our customers in these cases.

In addition, our customers are of varying sizes (in terms of revenue) and are from a wide range of industries and business sectors, and it is unclear whether our subscription pricing model is appropriate for all of such categories (or other categories that we may expand into) in the same way. We have in the past changed and expect in the future that we will need to change our pricing models from time to time. However, if any new pricing models we adopt are not accepted by existing or potential customers, we may lose existing customers or fail to acquire new customers or be forced to revise our pricing downward in order to respond to customer expectations. Also, if we intentionally introduce new pricing models that are priced lower than our current pricing models in order to attract additional customers, that could put downward pressure on our ARPA if we are not able to upsell such customers. Furthermore, as the market for our KARTE Suite matures, or as new competitors introduce new products or services that compete with ours, we may be unable to attract new customers at the same price or based on the same pricing models as we have used historically. As a result of any of the foregoing factors, changes to our pricing models in the future could adversely affect our net sales, gross margin, profitability, financial position and cash flow.

If we are unable to successfully develop and maintain or realize the benefits of our relationships with certain partners, our business, results of operations, and financial condition could be harmed

We work with certain strategic partners to provide and develop our products and services and to expand our market. In particular, on November 27, 2019, we announced a strategic partnership with Google, pursuant to which we will collaborate with Google to integrate Google Cloud Platform's, or GCP's, machine learning and artificial intelligence technology into our KARTE platform and to expand the cloud market in Japan. We also have relationships with consulting solutions partners who provide solutions for the seamless function of our KARTE Suite and other marketing and business solutions.

We believe that continued growth in our business is dependent upon identifying, developing and maintaining strategic relationships with our existing and potential partners that can drive substantial revenue and provide additional solutions to our customers. We are particularly dependent on our data partners, GCP and Amazon Web Services, or AWS, which provide the infrastructure through which customers can access our platform and data systems. In addition, although a large part of our net sales are generated directly by us, we rely to a certain extent on our distribution and consulting partner network to provide brand exposure or to actively promote and sell our products. If such partners cease marketing our platform and we are unable to identify new partners in a timely and cost-effective manner, or at all, our business, results of operations and financial condition could be adversely affected. Furthermore, there is no guarantee that we will be successful in our efforts to develop products and services and expand our services with our partners. If these partners are unable to successfully support our platform in the way we expect, or if we are unable to successfully develop and maintain or realize the benefits of our relationships with these partners, our business, results of operations, and financial condition could be harmed.

If we have overestimated the size of our total addressable market, our future growth rate may be limited

We have estimated the size of our total addressable market based on data from third parties as well as certain internal data and assumptions. Such data is inherently imprecise and if it proves to be inaccurate or we make errors in our assumptions, our actual market may be more limited than our estimates. In particular, CX software is not a clearly defined market and estimates of our total addressable market could change depending on assumptions about what constitutes the market for CX software. In addition, although we calculate our total addressable market based on the total number of domains for mid and enterprise websites and our current subscription pricing, there is no assurance that we will be able to address the needs of all such websites with our current or future services at our current pricing model. For example, certain of the websites we include in our total addressable market may operate businesses that are not suited to our services or may not be able to afford our services at our current pricing model. We may also change our pricing model in the future in order to expand our customer base or for other reasons, which may result in a decrease in our estimated total addressable market.

Moreover, any inaccuracies or errors may cause us to misallocate capital and other critical business resources, which could harm our business. Even if our total addressable market is in line with our estimates, we may not continue to expand our business to take advantage of such market. Our growth is subject to many factors, including our success in implementing our business strategy, which is subject to many risks and uncertainties. Accordingly, the estimates of our total addressable market included in this offering circular should not be taken as indicative of our ability to grow our business. For more information regarding the estimates of market opportunity, see "Business—Our Market Opportunity."

Privacy, data protection and information security concerns, and data collection and transfer restrictions and related regulations, may limit the use and adoption of our platform and expansion of our business and adversely affect our strategy, business and reputation

Globally, regulatory scrutiny of privacy controls and the protection against exploitation of user data is increasing, and, in Japan, where we currently operate, we are subject to various laws and regulations, such as the Act on the Protection of Personal Information of Japan (Act No. 57 of 2003, as amended), or the Act on the Protection of Personal Information, regarding data privacy and data and information security. Such laws and regulations are constantly evolving and remain subject to significant change. In addition, the application and interpretation of such laws and regulations are often uncertain, particularly in the new and rapidly evolving industry in which we operate. Any failure or perceived failure to comply with applicable privacy, data protection or information security laws, regulations and/or contractual obligations could lead to investigations, claims, changes to our business practices, increased cost of operations or declines in user growth, retention or engagement, any of which could seriously harm our business. If we become subject to an investigation relating to a potential violation of privacy, data protection or information security laws or regulations, we could also suffer severe reputational damage.

We currently do not automatically collect or store personal information of end users as defined under Japanese law. However, under Japanese law, data controllers, such as our customers, are permitted to provide personal data collected by them to outsourced data processors, such as us, as long as the data controllers oversee that the data processors handle such personal data appropriately. In handling any such personal information, we rely on our customers to adhere to applicable privacy, data protection and information security laws and regulations. While our customers represent to us in our contracts with them that they have appropriate policies and procedures in place and are acting in compliance with applicable laws and regulations, there is no assurance that they actually do or are. Any failure or perceived failure by one of our customers to comply with applicable privacy, data protection or information security laws or regulations may damage our reputation, adversely affecting public or investor confidence in us, and diminish interest in the digital CX and marketing software market generally. In addition, any failure on our part to fulfil our legal obligations as a data processor could damage our reputation, cause us to lose customers or subject us to legal action from our customers or regulatory action by regulators. While we have a privacy policy and have established internal procedures to allow our customers to meet their oversight obligations as data controllers, our clients may request us to adhere to more stringent procedures, which may result in increased costs to us. Where we are unable to meet a customer's request, such customer may terminate its subscriptions with us.

Furthermore, new requirements under laws or regulations could reduce demand for our services, increase our costs, impair our ability to grow our business, including restricting us from entering into new businesses, or restrict our ability to store and process data or, in some cases, impact our ability to offer our platform or specific products or solutions in some locations. For example, in May 2018, the General Data Protection Regulation, or GDPR, came into effect with respect to the collection and use of personal data of data subjects in the European Union. The implementation of GDPR has led other jurisdictions, including Japan, to propose or adopt new laws, or amend existing laws relating to data privacy and security that are more closely aligned with the requirements of GDPR with the aim of obtaining an adequate level of data protection to facilitate the transfer of personal data from the European Union. These new requirements could reduce demand for our KARTE Suite, increase our costs, impair our ability to grow our business, or restrict our ability to store and process data or, in some cases, impact our ability to offer our platform in some locations.

In particular, the scope of personal information protected under Japanese law is currently narrower than in certain other major jurisdictions. For example, GDPR currently protects a broader range of personal information than current Japanese regulations including IP addresses, which are not classified *per se* as protected personal information under Japanese law. It is possible that Japan may expand the range of protected personal information in the future, which could negatively impact our business, prevent us from expanding into new businesses involving collection, analysis and use of such data and increase our compliance costs. For example, if Japanese regulations are expanded to protect IP addresses or cookies, our customers will be required to obtain consent from their customers to access and use such data. If our customers are unable to obtain such consent, they may not be able to utilize our KARTE Suite with respect to such non-consenting customers. In this way, our customers' ability to benefit from our products and solutions may be limited. In addition, our ability to provide our current products and offer new services involving the analysis of data accumulated through our KARTE Suite would be negatively impacted. In Japan, an amendment to the Act on Protection of Personal Information, or the Amendment, was promulgated in June 2020 and the Amendment will come into effect as of the date specified in a cabinet order, within a period not exceeding two years from the date of the promulgation of the Amendment. The Amendment is mainly intended to, among others, enhance data subjects' rights, tighten obligations to be imposed on business operators and introduce new rules concerning the use of data. We do not anticipate that the Amendment will impact our business significantly, but the Amendment could reduce demand for our services, increase our costs, impair our ability to grow our business, including restricting us from entering into new businesses, or restrict our ability to store and process data or, in some cases, impact our ability to offer our platform or specific products or solutions. For a more detailed discussion on the Amendment, see "Business—Regulations."

In view of new or amended laws and regulations, industry standards, contractual obligations and other legal obligations, or any changes in their interpretation, we may find it necessary or desirable to fundamentally change our business activities and practices or to expend significant resources to modify our platform or specific products or solutions and otherwise adapt to these changes. This may be particularly pertinent if and when we expand our business outside Japan. We may also be unable to make such changes and modifications in a commercially reasonable manner, or at all, and our ability to develop new content and features could be limited.

If the way cookies are used or shared, or if the use or transfer of cookies is restricted by third parties outside of our control or becomes subject to unfavorable legislation or regulation, our ability to develop and provide our KARTE Suite could be diminished or eliminated

Small text files (referred to as "cookies") placed on internet browsers by certain websites are used to gather data regarding the content of a user's web browsing activity. We use data gathered using cookies to analyze a wide range of behavioral, contextual, anonymous demographic and other user data as it is being generated to provide a rich, visual and constantly refreshing profile of individual users and user base trends. The availability of this data may be limited by numerous potential factors, including general trends among internet users to refuse to accept cookies on their web browsers and laws or regulations (including those described above) limiting the transferability or use of information gathered using cookies. Cookies can also easily be deleted or blocked by internet users. All of the most commonly used internet browsers (including Chrome, Firefox, Internet Explorer, and Safari) allow internet users to prevent cookies from being accepted by their browsers, and internet users can also delete cookies from their computers at any time.

We mainly rely on first-party cookies (placed directly by the publisher or website owner that the user intends to interact with) rather than third-party cookies (placed by parties that have no direct relationship with the user), therefore we believe that our access to the information that we need is more resilient than in the case of businesses that rely on third-party cookies. However, if it becomes difficult or impossible to gather data by using cookies, including due to changes in laws and regulations or user behavior, the utility of our KARTE Suite to our customers and our ability to further develop our KARTE Suite, as well as our ability to collaborate with our product partners, could be impeded, which may cause a reduction in revenue or a reduction in revenue growth. This may negatively impact our ability to obtain new customers, as well as our ability to renew or grow the subscriptions of existing customers.

If our network or computer systems are breached or unauthorized access to customer or end user data is otherwise obtained, our KARTE Suite may be perceived as insecure, we may lose existing customers or fail to attract new customers, and we may incur significant liabilities

Our KARTE Suite involves the storage, transmission and processing of our customers' proprietary data, including personal or identifying information regarding their customers and information about their onsite and other online activity. Despite significant efforts to protect such information against security breaches and other threats, including obtaining certificates for information security such as Information Security Management System (ISMS), there is no assurance we can entirely mitigate these risks. Unauthorized access to or security breaches of our KARTE Suite could result in the loss of data, loss of intellectual property or trade secrets, loss of business, severe reputational damage adversely affecting customer or investor confidence, regulatory investigations and orders, litigation, indemnity obligations, damages for contract breach, penalties for violation of applicable laws, regulations, or contractual obligations and significant costs for remediation.

Because the techniques used and vulnerabilities exploited to obtain unauthorized access or to sabotage systems change frequently and generally are not identified until they are launched against a target, we may be unable to anticipate these techniques or vulnerabilities or implement adequate preventative measures. We may also experience security breaches that may remain undetected for an extended period. Further, as we rely on third party and cloud infrastructure in the delivery of our solutions and storage of data, including GCP and AWS, we depend in part on third-party security measures to protect against unauthorized access, cyberattacks and the mishandling of customer data. While we have insurance covering certain security and privacy-related claims, such insurance may not be sufficient to compensate for all liability that we may incur.

Failures to meet our customers' expectations with respect to security and confidentiality of their data and information could damage our reputation and affect our ability to retain customers, attract new customers and grow our business.

Interruptions or performance problems, including real or perceived errors, failures or bugs, associated with our technology and infrastructure or cloud infrastructure provided by our third-party cloud data center providers could impair our ability to deliver our products and solutions to our customers, resulting in customer dissatisfaction, damage to our reputation, loss of customers, limited growth and reduction in revenue

Our continued growth depends in part upon the reliable performance of our KARTE Suite, including our underlying technology infrastructure. The technology infrastructure underlying our products and solutions is inherently complex and may contain material defects or errors, particularly when first introduced or when new features or capabilities are released. We have from time to time found minor defects or errors in our platform, and new defects or errors, whether minor or more significant, in our existing platform or new software may be detected in the future by us or our customers some of which have or may only be discovered and remediated after deployment to customers. There can be no assurance that our existing products and solutions and any new products and solutions that we might develop in the future will not contain defects.

In addition, our technology infrastructure may not be adequately designed with sufficient reliability and redundancy to avoid performance delays or outages that could be harmful to our business. If our platform is unavailable when customers attempt to access it, or if it does not load as quickly as they expect, customers may choose to discontinue using our services. We may in the future experience, disruptions, outages, and other performance problems due to a variety of factors, including infrastructure changes, introductions of new functionality, human or software errors, or other security related incidents. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time. If our products and solutions are unavailable, if our customers are unable to access our products and solutions within a reasonable amount of time or at all or if we are otherwise unable to meet committed service levels, whether due to us or the third-parties on which we rely for the delivery, maintenance or performance of our products and solutions, our business would be negatively affected through negative publicity, loss of or delay in market acceptance of our platform, loss of competitive position or claims by customers for losses sustained by them.

In addition, we are highly dependent on GCP and, to a lesser degree, on AWS to host our products and solutions. As a result, our operations depend, in part, on the ability of these providers to protect their services against damage or interruption from natural disasters, power or network failures, criminal acts, including cyber-attacks, and similar events. In the event that any of our hosting arrangements are terminated, or if there is a lapse of service or damage to a facility or other resource, we could experience interruptions in our platform as well as delays and additional expenses in arranging hosting arrangements. We cannot assure that such interruptions will not happen in the future.

Any damage to, or failure of, the systems of our providers could result in interruptions to and may cause errors or poor quality communications with our platform. Even with current and planned disaster recovery arrangements, our business could be harmed. Also, in the event of damage or interruption, our insurance policies may not adequately compensate us for any losses that we may incur. These factors in turn could further reduce our revenue, subject us to liability, damage our reputation and cause customers to become dissatisfied and fail to renew their subscriptions or demand credits, any of which could materially and adversely affect our business.

Any failure to offer efficient and responsive customer support may adversely affect our relationships with our customers and our business, results of operations and financial condition

Our customers rely on our teams in charge of customer success, who directly engages with our customers to onboard organizations that are newly implementing our KARTE Suite and resolve technical and operational issues if and when they arise. Our teams in charge of customer success may be unable to respond quickly enough to accommodate short-term increases in demand for customer support. Increased demand for customer support, without corresponding revenue, could increase costs and harm our results of operations. In addition, as we continue to grow our operations and increase our customer base, we need to be able to provide efficient and responsive support that meets our customers' needs. As our business scales, we may need to engage third-party customer support service providers, which could negatively impact the quality of our customer success services if such third parties are unable to provide customer support that is as effective as that we provide ourselves. Our sales are highly dependent on our business reputation and on positive recommendations from our existing customers.

Newcomers to our products and solutions require particular attention as they become accustomed to using our service. We have customer success members dedicated to newcomers and focus not only on resolving issues but also onboarding newcomers to our platform and helping them discover new ways to use our KARTE Suite to enhance their online CX, including onsite digital marketing. If we are unable to provide newcomers with high quality support, they may choose to not renew or expand their subscriptions with us or recommend us to potential new customers. Accordingly, high quality customer support is important for the renewal and expansion of our agreements with existing customers and any failure to maintain such standards of customer support, or a market perception that we do not maintain high quality customer support, could harm our reputation, our ability to retain our existing customers or market our KARTE Suite to prospective customers, and our business, results of operations and financial condition.

In addition, our solutions and customer support functions are currently only available in Japan and in the Japanese language and we cannot introduce them into markets outside of Japan without significant changes, which would include making our solutions and customer support functions accessible in English or other languages. Such changes may require significant investment and our efforts may not lead to the successful introduction or improvement of our solutions that are appropriate or competitive in markets outside of Japan.

Our business depends on establishing and maintaining a strong and trusted brand, and any failure to protect our brand would hurt our reputation and business

We believe that maintaining and enhancing our reputation as a differentiated and category-defining company in the CX software market is critical to our relationships with our existing customers and to our ability to attract new customers. The successful promotion of our KARTE brand attributes will depend on a number of factors, including our efforts to promote digital CX awareness, first in Japan where the digital CX software market is still relatively new, through our business media site XD and other marketing efforts, both of which are currently directed within Japan, our ability to continue to develop high-quality services and our ability to successfully demonstrate the effectiveness of our KARTE Suite in enhancing the experience of our subscribers' customers and end users.

We anticipate that, as the digital CX software market becomes increasingly competitive, maintaining and enhancing our brand may become increasingly difficult and expensive. Any unfavorable publicity or consumer perception of our KARTE Suite or other products and solutions we might offer in the future, or a competitor's platform in the digital CX software category generally, could adversely affect our reputation and our ability to attract and retain customers, and diminish customer interest in the digital CX software market generally. Additionally, if we fail to promote and maintain our brand, or if we incur excessive expenses in this effort, our business, results of operations, and financial condition will be materially and adversely affected.

The promotion of our brand may require us to make substantial additional expenditures, and we anticipate that these expenditures will increase as the digital CX software market becomes more competitive and as we expand into new markets. To the extent that these activities yield increased revenue, this revenue may not offset the increased expenses we incur. If we do not successfully maintain and enhance our brand, our business may not grow, we may have reduced pricing power relative to competitors and we could lose customers or fail to attract potential customers, all of which would adversely affect our business, results of operations and financial condition.

We expect to spend significantly on product development, and to the extent that such investments or expenditures do not translate into new solutions or material enhancements to our current solutions, our business and results of operations would be harmed

Our business is focused on developing new products and solutions and enhancing the usability, functionality, reliability, performance, flexibility and extensibility of our existing products and solutions to enable our customers to further enhance their ability to understand their individual customers through the collection and analysis of onsite activity in real time, and to use that understanding to deliver more timely, personalized and effective customer experience. We expect to invest significantly in product development such as by hiring additional personnel including product development engineers.

The nature of product development cycles may cause us to experience delays between the time we record such expenses and the time we are able to offer compelling products and solutions that generate revenue, if any. Additionally, anticipated customer demand for a product or solution we are developing could decrease after the development cycle has commenced, and we would nonetheless be unable to avoid substantial costs associated with the development of any such product or solution. If we expend a significant amount of resources on product development and our efforts do not lead to the successful introduction or improvement of products or solutions that are competitive in our current or future markets, it would harm our business and results of operations.

Failure to further expand and improve our sales and marketing capabilities could harm our ability to increase our customer base and achieve broader market acceptance of our platform

Continuing to increase our customer and subscription bases and achieve broader market acceptance of our KARTE Suite depends, to a significant extent, on our ability to effectively use and further expand and improve our sales and marketing operations and to leverage our distribution and consulting partners to promote our services, which will require us to increase our advertising and promotion expenses. This will depend, in part, on our success in recruiting, training and retaining a sufficient number of personnel focused on and experienced in sales and marketing. New hires require significant training and time before they achieve full productivity. Such new hires may not become as productive as quickly as we expect, and we may be unable to hire or retain sufficient numbers of qualified individuals in the future. Furthermore, we cannot predict whether, or to what extent, our sales will increase as we expand our sales and marketing functions or how long it will take for new personnel to become productive.

In addition, the investments we make in sales and marketing function will occur in advance of experiencing benefits from such investments, making it difficult to determine in a timely manner if we are efficiently allocating our resources in these areas. Our business may be harmed if our sales and marketing efforts do not generate a significant increase in revenue.

We rely on the performance of key members of management and highly skilled personnel, and may have difficulties or incur significant costs in attracting, retaining and motivating them

Our ability to attract, retain and motivate our employees, including our senior management team, is critical to our success. In particular, we rely significantly on our senior management team, including our co-founder and CEO, Kenta Kurahashi, and co-founder and chief product officer, or CPO, Naoki Shibayama. Both are critical to our mission, vision, strategic direction, corporate culture and product offerings. We cannot ensure that we will be able to continue to retain the services of any members of our senior management team or other key employees. In addition, certain of our employees and members of our senior management team may receive proceeds from sales of our equity in the public markets after this offering, which may reduce their motivation to continue to work for us. Any loss of our key management personnel would negatively affect our business and could significantly disrupt our operations.

In addition, our future success depends, in part, on our ability to continue to attract, retain and motivate highly skilled personnel in these areas. One of the major challenges we face is hiring and retaining employees who have appropriate qualifications. For example, we are in constant need for skilled software engineers, and, according to a report prepared by Mizuho Information & Research Institute, Inc. on behalf of the Ministry of Economy, Trade and Industry of Japan released in March 2019, the demand for workers with skills or qualifications in informational technology in Japan is expected to exceed the supply of such workers through 2030. Thus, it may be difficult for us to recruit and hire qualified personnel.

Furthermore, we anticipate that we will continue to experience intense competition for highly skilled executive, engineering/technical, marketing and other personnel from a broad range of companies, including companies that are larger than us and have more resources than us. In order to compete with such companies, we must offer competitive compensation packages and a high-quality work environment to attract, retain and motivate employees. If we are unable to attract qualified personnel to fill key positions and retain and motivate our existing employees, we may be unable to manage our business effectively, including the development, marketing and sale of our solutions, which could adversely affect our business, results of operations and financial condition.

As our business grows and scales, including internationally, we will need to continue to find and attract individuals with relevant experience in the geographic areas in which we expand. If we are unable to do so, we may be unable to scale our operations or release new solutions or enhancements to our existing solutions in a timely fashion and, as a result, customer satisfaction with our products may decline and our business and ability to implement our strategy may be harmed.

Currently, we depend primarily on referrals from our employees to fill our hiring needs. While we have so far been successful in this strategy, we cannot ensure that this strategy will continue to give us access to the best candidates or is an effective means of recruitment.

We may acquire or invest in companies, which may divert our management's attention and result in additional dilution to our stockholders. We may be unable to integrate acquired businesses and technologies successfully or achieve the expected benefits of such acquisitions

We may evaluate and consider potential strategic transactions, including acquisitions of, or investments in, businesses, technologies, services, products and other assets in the future. We also may enter into relationships with other businesses to expand our solutions and other offerings, which could involve preferred or exclusive licenses, additional channels of distribution, discount pricing or investments in other companies. Any acquisition, investment or business relationship may result in unforeseen operating difficulties and expenditures. In particular, we may encounter difficulties assimilating or integrating the businesses, technologies, products, personnel or operations of the acquired companies, particularly if the key personnel of the acquired company choose not to work for us, their product is not easily adapted to work with our then existing platform or specific solutions, or we have difficulty retaining the customers of any acquired business due to changes in ownership, management or otherwise. Moreover, the anticipated benefits of any acquisition, investment or business relationship may not be realized or we may be exposed to unknown risks or liabilities.

We may be unable to protect our intellectual property adequately

Our success depends in part upon our intellectual property and proprietary technology. Policing the unauthorized use of our intellectual property is difficult and expensive and will become increasingly complex to the extent we expand overseas. Although we have taken steps to prevent the misappropriation of our intellectual property, including by registering our existing patents in Japan, such protective measures may not be adequate to prevent their unauthorized use. We primarily rely on copyright, trade secret and trademark laws, trade secret protection and confidentiality agreements with our employees, customers, partners and others to protect our intellectual property rights. However, the steps we take to protect our intellectual property rights may be inadequate. There can be no assurance that others will not develop or patent similar or superior technologies, products or services, or that our trademark, patent and other intellectual property rights will not be challenged, invalidated or circumvented by others. Any misappropriation of intellectual property that is used in our business, whether licensed to us or owned by us, could have a material adverse effect on our business, financial condition and results of operations. Furthermore, to the extent we expand overseas, effective trademark, patent, copyright and trade secret protection may not be available. In addition, the legal standards relating to the validity, enforceability and scope of protection of intellectual property rights in internet and SaaS related industries are uncertain.

In order to protect our intellectual property rights, we may be required to use significant resources to monitor and protect these rights. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming and distracting to management, and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. Our failure to secure, protect and enforce our intellectual property rights could adversely affect our brand and adversely impact our business.

We may be subject to intellectual property claims, which could be costly to defend and require us to pay significant damages and limit our ability to use certain technologies in the future

Our success depends in part on our ability to conduct our business without infringing the intellectual property rights of third parties. However, as the features and content of our products and solutions continue to grow, there is an increasing possibility that we may be subject to litigation involving claims of patent, copyright or trademark infringement or other violations of intellectual property rights of third parties. Existing or future claims against us, whether valid or not, may be time consuming, distracting to management and expensive to defend.

Intellectual property litigation or claims could force us to:

- cease selling or using products or solutions or specific functionality thereof that incorporate the challenged intellectual property;
- modify our products or solutions or specific functionality thereof to avoid infringing upon the intellectual property rights of third parties;
- obtain a license from the holder of the infringed intellectual property, which may not be available on commercially favorable terms or at all; or
- redesign the affected products or solutions or specific functionality thereof, which could result in additional costs, delayed introduction and possible reduction of the commercial appeal of the affected products or solutions.

Any of the foregoing could negatively impact the revenue we generate from our products and solutions or result in additional costs. Additionally, in the event that there is a determination that we have infringed the proprietary rights of any third party, we could incur substantial liabilities. Any of the above may have a material adverse effect on our business, financial condition and results of operations.

In addition, we use open source software in our KARTE Suite and expect to continue to use open source software in our platform in the future. There are uncertainties regarding the proper interpretation of and compliance with open source software licenses. Moreover, we cannot assure you that our processes for controlling our use of open source software in our products and solutions have been or will be effective. Consequently, our use of open source software could result in reputational harm and harm to our business and results of operations. In addition, if the license terms for the open source software we utilize change, we may be forced to re-engineer our platform or incur additional costs to comply with the changed license terms or to replace the affected open source software.

We are subject to a number of laws and regulations, including complex and evolving regulations relating to the Internet and information and data privacy and security, and unfavorable changes or failure to comply with these regulations could substantially harm our business and results of operations

We are and in the future may be subject to a variety of laws and regulations in Japan and elsewhere, including employment and labor laws, workplace safety laws, consumer protection laws, privacy, data protection and information security laws, laws concerning the use of data in artificial intelligence and machine learning, laws relating to the provision of digital services, telecommunications business laws, anti-bribery laws, federal securities laws and tax laws and regulations. Some laws and regulations that we are subject to involve matters central to our business, including newer laws and regulations focused on the Internet, privacy, data protection and information security. Any failure or claim of our failure to comply, or failure by any of our third-party service providers or partners to comply, with such laws and regulations could cost us substantial resources and result in liabilities. If any governmental enforcement actions or sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation, our business, operating results, and financial condition could be materially adversely affected. In addition, responding to any action will likely result in a significant diversion of management’s attention and resources and an increase in professional fees.

Other existing and future regulations and laws could impede the growth of the Internet, e-commerce or mobile commerce. These regulations and laws may involve taxes, privacy and data security, artificial intelligence and machine learning, anti-spam, pricing, content protection, electronic contracts and communications, mobile communications, consumer protection, information reporting requirements, unencumbered internet access to our KARTE Suite and the design and operation of websites. Many of these laws and regulations are still evolving and could be interpreted or applied in ways that could limit our business, particularly in the new and rapidly evolving industry in which we operate. The introduction of new solutions or other offerings in our existing markets and the expansion of our business to other countries may subject us to additional laws and regulations. Unfavorable regulations and laws could diminish demand and increase our cost of doing business.

In addition, it is possible that a regulatory inquiry might force us to change our policies or practices or subject us to regulatory orders or consent decrees. If we were to violate such orders or decrees, we might incur substantial monetary fines and other penalties that could seriously harm our business.

Certain of our operating metrics are subject to inherent uncertainties in measurement, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business

This offering circular contains certain operating metrics, including ARPA, ARPC, ARR, NRR and subscription revenue ratio, to evaluate growth trends, measure our performance and make strategic decisions. These metrics are calculated using internal company data and not validated, audited or reviewed by an independent third party. While these numbers are based on what we believe to be reasonable measurements, there are inherent limitations in using them to evaluate our business. Certain of these metrics are annualized figures that do not necessarily correspond with net sales as recognized in our financial statements for a given year. As a result, potential investors should not place undue reliance on these measures as a representation of our performance. In addition, we calculate these metrics based on our own internal definitions, which may not be comparable with similarly named metrics used by other companies, and therefore they should not be relied on to compare our operations with those of other companies.

Errors or inaccuracies in our operating metrics or other data could result in incorrect business decisions and inefficiencies. Moreover, if our partners or investors do not perceive our metrics to be accurate representations of our customer activity or if we discover material inaccuracies in these metrics, our reputation may be seriously harmed.

Our quarterly results of operations may fluctuate significantly, which could cause the trading price of our shares to decline or be difficult to predict

Our quarterly operating results may fluctuate for a variety of reasons, many of which are beyond our control. These fluctuations may cause our quarterly results to fall below the expectations of analysts or investors, which could cause the price of our common stock to decline. As a result, you should not rely upon our past quarterly financial results as indicators of future performance. You should also take into account the risks and uncertainties frequently encountered by companies in rapidly evolving markets. Our financial results in any given quarter or fiscal period can be influenced by numerous factors, including the various risk factors described in this section, as well as the following:

- our success in retaining existing customers and attracting new customers;
- the budgeting cycles and internal purchasing priorities of our existing and potential customers;
- the time and success of new products and solutions or features we introduce;
- the number of new employees added;
- our ability to manage our existing business and future growth;
- actual or perceived privacy or data security breaches;
- unforeseen contingencies, such as adverse litigation judgments, settlements or other litigation related costs;
- changes in laws and regulations that impact our business;
- the loss of one or more large customers;

- general economic and market conditions; and
- the COVID-19 pandemic and its related effects.

If we fail to integrate our solutions, or make them compatible, with a variety of operating systems, software applications, platforms, and hardware that are developed by others, our solutions may become less marketable, less competitive or obsolete and our results of operations would be harmed

Our success depends on our ability to build and maintain an ecosystem in which our KARTE Suite is compatible with our customers' existing network, hardware and software platforms and can be easily integrated with third-party tools and applications, which means that we need to continuously review, modify and enhance our platform to adapt to changes in such networks, hardware, software and other technologies as well as third-party tools and applications. We believe a significant component of our value proposition to customers is the ability to optimize and configure our platform to communicate with third-party tools and applications through our respective APIs and other extension tools. If we are not permitted or able to integrate with third-party tools and applications in the future, demand for our customer service platform could be adversely impacted and business and operating results would be harmed. In addition, an increasing number of individuals within organizations are utilizing mobile devices to access the Internet and corporate resources and to conduct business. We have designed mobile applications to provide access to our KARTE Suite through mobile devices. If we cannot provide effective functionality through these mobile applications as required by organizations and individuals that widely use mobile devices, we may experience difficulty attracting and retaining customers. Failure of our platform to operate effectively with future infrastructure and technologies could also reduce the demand for our platform, resulting in customer dissatisfaction and harm to our business. If we are unable to respond to changes in a cost-effective manner, our platform may become less marketable, less competitive or obsolete and our operating results may be negatively impacted.

Our business could be adversely impacted by changes in internet access or laws specifically governing the Internet

Our KARTE Suite depends on a continued ability to access and use the Internet for our customers as well as their customers. Certain features of our platform require significant bandwidth and fidelity to work effectively. Internet access is frequently provided by companies that have significant market power that could take actions that degrade, disrupt or increase the cost of access to our platform, which would negatively impact our business. Our ability to acquire and retain customers could be negatively impacted if network operators:

- implement usage-based pricing;
- discount pricing for competitive products;
- otherwise materially change their pricing rates or schemes;
- charge us to deliver our traffic at certain levels or at all;
- throttle traffic based on its source or type;
- implement bandwidth caps or other usage restrictions; or
- otherwise try to monetize or control access to their networks.

As the Internet continues to experience growth in the number of users, frequency of use, and amount of data transmitted, the internet infrastructure that we and our customers rely on may be unable to support the demands placed upon it. The failure of the internet infrastructure that we or our customers rely on, even for a short period of time, could undermine our operations and harm our results of operations.

In addition, there are various laws and regulations that could impede the growth of the Internet or other online services, and new laws and regulations may be adopted in the future. These laws and regulations could, in addition to limiting internet neutrality, involve taxation, tariffs, privacy, data protection, information security, content, copyrights, distribution, electronic contracts and other communications, consumer protection and the characteristics and quality of services, any of which could decrease the demand for, or the usage of, our platform. Legislators and regulators may make legal and regulatory changes, or interpret and apply existing laws, in ways that require us to incur substantial costs, expose us to unanticipated civil or criminal liability or cause us to change our business practices. These changes or increased costs could materially harm our business, results of operations, and financial condition.

Failure to maintain effective internal controls could have a material adverse effect on our business and stock price

We are currently a private company that is not subject to the requirements with respect to internal controls over financial reporting under the FIEA. In accordance with the FIEA, we will be required to evaluate the effectiveness of our internal controls over financial reporting as of the end of our fiscal year. However, because the amount of capital stock on our statement of financial position as of September 30, 2020 was less than ¥10 billion and the amount of total liabilities as of the same date was less than ¥100 billion, our internal control reports will not need to be audited by our independent auditor for three years after the listing of our shares on a stock exchange. We have established a system of internal controls over financial reporting, in a form suited for smaller size companies such as us, and are implementing a plan to comply with the requirements in a timely manner when they become applicable to us, which will not be until after the completion of the Japanese offering. If our internal controls over financial reporting are found to have material weaknesses or significant deficiencies following their evaluation after the end of the fiscal year ending September 30, 2021 or in any other evaluation in the future, our ability to produce reliable financial reports on a timely basis could be adversely affected, resulting in a loss of confidence in our financial reporting by investors, which could materially and adversely affect the price of our shares.

In addition, we are unable to assess whether there have been material weaknesses or significant deficiencies in any periods prior to the end of the fiscal year ending September 30, 2021. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met and are subject to inherent limitations. We cannot be certain that our internal controls over financial reporting will have the effect of mitigating the risk of material misstatement which will lead to material weaknesses or significant deficiencies in our internal controls would further heighten such risk.

We may require additional capital to support our operations and the growth of our business, and we cannot be certain that financing will be available on reasonable terms when required, or at all

We intend to continue to make investments to support our growth, including enhancing our existing products and solutions, developing new products and solutions and hiring additional personnel. We may also require additional funds to respond to business challenges as they arise. We also have historically recorded negative operating cash flow and may require additional funds for working capital to continue to operate our business. Such financing may take the form of bank lending or raising capital through issuances of debt or equity securities. If we procure additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences, and privileges superior to those of holders of our common stock. Any debt financing secured by us in the future could involve restrictive covenants relating to our capital-raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. In addition, we may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our growth and to respond to business challenges could be significantly impaired.

Our business may be affected by natural disasters, geopolitical crises or other unexpected events

Our systems and operations are vulnerable to damage or interruption from natural disasters, such as earthquakes, volcanoes, typhoons, heavy snow, fires and floods, as well as power losses, telecommunications or other infrastructure failures, cyberattacks, terrorist attacks, acts of war, public health crises including pandemics and other outbreaks of infectious diseases, political crises or instability, human errors, break-ins and other unexpected events. Additionally, we rely on the Internet, our network and third-party infrastructure and enterprise applications, internal technology systems and our website for our development, marketing and operational support activities. In the case of such an event, we may be unable to continue our operations and may endure system interruptions, reputational harm, delays in our application development, lengthy interruptions in our services, breaches of data security and loss of critical data, all of which could have an adverse effect on our future operating results.

In addition, massive natural disasters, such as the March 2011 Great East Japan Earthquake and the subsequent tsunami and nuclear accident in Fukushima, Japan, and other large-scale crises and unexpected events could have secondary adverse effects, such as mass or long-term devastation to the people or infrastructure, including through the disruption of electric supply and deterioration in economic conditions. Any natural disasters or other large-scale catastrophic events could materially and adversely impact our business and results of operations.

As we grow our business, the need for business continuity planning and disaster recovery plans will grow in significance. If we are unable to develop adequate plans to ensure that our business functions continue to operate during and after a disaster, and successfully execute on those plans in the event of a disaster or emergency, our business and reputation would be harmed.

Risks Related to our Common Stock

Investors holding less than one "unit" of shares of our common stock will have limited rights as shareholders

Our articles of incorporation provide that 100 shares of common stock constitute one "unit." The Companies Act of Japan (Act No. 86 of 2005, as amended), or the Companies Act, and our articles of incorporation impose significant restrictions and limitations on holders of shares that do not constitute a whole unit. In general, holders of shares constituting less than one unit do not have the right to vote with respect to those shares. For a more complete description of the unit share system and its effect on the rights of our shareholders, see "Description of Common Stock—Unit Share System."

Future sales of shares by our existing shareholders, the exercise of stock acquisition rights or our issuance of additional shares could lower the market price of our shares and result in substantial dilution

Sales of a substantial number of shares of our common stock following the global offering or the perception that such sales may occur could adversely affect the market price of our common stock. As described in this offering circular under "Offering and Sale," we, the selling shareholders and certain of our shareholders have agreed to restrictions on sales and other dispositions of our shares for the period beginning on the date of this offering circular and ending on the date that is 180 or 360 calendar days, as applicable, from and including the date our shares are listed and admitted for trading on the Tokyo Stock Exchange. See "Offering and Sale—Lock-up Agreements." After the expiration of such restrictions, such selling shareholders and our shareholders that are subject to the restrictions may choose to sell their remaining shares or shares to be issued or delivered by exercising its remaining stock acquisition rights of our common stock on the Tokyo Stock Exchange or otherwise in Japan or abroad. In addition, our board of directors will be able to approve an issuance and sale by us of additional shares within the unissued portion of our authorized share capital or grant stock acquisition rights to management and employees, generally without any shareholder vote unless the offer price is particularly favorable to subscribers. We may issue additional shares in the future at prices below the offer price of our shares in the global offering and below prevailing market prices. If we were to issue additional shares in the future, holders of shares of our common stock, including purchasers of our shares in the global offering, may experience dilution. In addition, there are a total of 4,105,000 shares issuable upon the exercise of outstanding stock acquisition rights as of the date of this offering circular, which represents 11.6% of our issued and outstanding shares of common stock on an undiluted basis as of the date of this offering circular. Exercise of such stock acquisition rights in the future may result in dilution of our current shareholders or negatively affect the market prices of our shares.

There has been no prior market for shares of our common stock, and the market price for shares of our common stock may fluctuate greatly. There can be no assurance that a liquid trading market for shares of our common stock will develop or be sustained

Prior to the global offering, there has been no market for shares of our common stock. The price of shares of our common stock may fluctuate widely after the global offering and may trade at prices below the initial public offer price, depending on factors such as:

- market perception of our business and relevant markets;
- differences between our actual financial and operating results and those expected by investors and analysts;
- changes in general economic and market conditions; and
- broad market fluctuations.

We expect shares of our common stock to be listed on the Mothers Section of the Tokyo Stock Exchange. This listing will not, however, guarantee that such listing will continue or that a liquid trading market for shares of our common stock will develop or be sustained after the global offering. In addition, because our shares will not be listed in any other jurisdiction, there will be no public trading market outside of Japan.

Rights of shareholders under Japanese law may be different from rights of shareholders in other jurisdictions

Our articles of incorporation and the Companies Act govern our corporate affairs. Legal principles relating to matters such as the validity of corporate procedures, directors' and corporate auditors' fiduciary duties and liabilities and shareholders' rights under Japanese law may be different from, or less clearly defined than, those that would apply to a company incorporated in any other jurisdiction. For example, under the Companies Act, only holders of 3% or more of our total voting rights or our total issued and outstanding shares (excluding treasury shares) are entitled to examine our accounting books and records. Shareholders' rights under Japanese law may not be as extensive as shareholders' rights under the laws of other jurisdictions. Furthermore, there is a degree of uncertainty as to what duties the directors of a Japanese joint stock corporation (*kabushiki kaisha*) may have in response to an unsolicited tender offer, and such uncertainty may be more pronounced than that in other jurisdictions. In addition, Japanese courts may not be willing to enforce, in original actions or in actions seeking enforcement of judgments of the courts of other jurisdictions, liabilities against us in actions brought in Japan, including those based on the securities laws of the United States or any state thereof.

We have not made, and have no plans to make, any dividend payments, and even if we forecast dividend payments in the future, our shareholders of record on a record date may not receive the dividend they anticipate

As we have focused on the accumulation of internal reserves and the establishment of a sound financial base necessary to maintain operational stability, we have not made any dividend payments since our incorporation and have no present plans to do so. While maximizing returns for our shareholders is a key management objective, we may not declare dividends until we become more profitable.

In addition, the customary dividend payout practice of publicly listed companies in Japan may significantly differ from that widely followed or otherwise deemed necessary or fair in foreign markets. In particular, consistent with the market practice in Japan, we may regularly announce forecasts of year-end and interim dividends. However, any such forecasts will not be legally binding. The actual payment of year-end and interim dividends will require a resolution of our board of directors. See "Description of Common Stock—Distribution of Surplus." These actual payments may differ from the previously announced forecasts. As a result, our shareholders of record on a record date may not receive the dividends they anticipate.

Daily price range limitations imposed by the Tokyo Stock Exchange or system outages due to malfunctions or other reasons may prevent you from selling our shares at a particular price on a particular trading day, or at all

Share prices on the Tokyo Stock Exchange are determined on a real-time basis by the balance between bids and offers. The Tokyo Stock Exchange is an order-driven market without specialists or market makers to guide price formation. To prevent excessive volatility, the exchange sets daily upward and downward price range limitations for each listed stock, based on the previous day's closing price or special quote. Although transactions may continue at the upward or downward limit price if the limit is reached on a particular trading day, no transactions may take place outside these limits. Consequently, an investor wishing to sell at a price above or below the relevant daily limit may not be able to effect a sale at such price on a particular trading day, or at all. Furthermore, the Tokyo Stock Exchange has in the past experienced temporary systems outages due to program or hardware malfunctions. For example, on October 1, 2020, a system malfunction caused a full day shutdown of the Tokyo Stock Exchange's trading system. There can be no assurance that the Tokyo Stock Exchange will not experience a systems outage in the future due to systems malfunctions or other reasons, as a result of which an investor may be unable to trade our shares at the time or price desired, or at all.

Prior notification under the Foreign Exchange and Foreign Trade Act of Japan may be required in the case of acquisition by foreign investors of a certain portion of our shares

Because we are engaged in certain businesses designated by the Foreign Exchange and Foreign Trade Act of Japan (Act No. 228 of 1949, as amended), or the FEFTA, and its related cabinet orders and ministerial ordinances, or collectively, the Foreign Exchange Regulations, such as package software businesses, if a foreign investor intends to consummate an acquisition of shares of our common stock that constitutes an "inward direct investment" under the Foreign Exchange Regulations, the foreign investor, in general, must file prior notification of such inward direct investment with the Minister of Finance and any other competent Ministers. "Inward direct investment" includes an acquisition by a foreign investor of shares of our common stock as a result of which acquisition such foreign investor, in combination with any existing holdings, directly or indirectly holds 1% or more of the total number of issued shares or the total number of voting rights. While certain exemptions from the prior notification requirements are provided for under the Foreign Exchange Regulations, certain foreign investors seeking to make such acquisition may not be eligible for such exemptions. If such prior notification is filed, the proposed acquisition may not be consummated until the prescribed screening period expires. In some cases, the Ministers may extend the screening period, and may recommend or order any modification or abandonment of such acquisition. In addition, if certain conditions including those prescribed in light of national security of Japan under the Foreign Exchange Regulations are met, the Ministers may order the disposal of the shares acquired or take other measures. Consequently, any foreign investor seeking to acquire shares of our common stock that constitutes an “inward direct investment” may not consummate such acquisition in an expected time frame, in accordance with an intended plan, or at all.

Additionally, if a foreign investor directly or indirectly holds 1% or more of the total voting rights and, at a general meeting of shareholders, consents to certain proposals having a material influence on our management such as the (i) election of such foreign investor or any of its related persons (as defined in the Foreign Exchange Regulations) as our director or corporate auditor or (ii) transfer or discontinuation of its business, such consent, subject to certain exemptions, also constitutes an “inward direct investment” requiring prior notification. If such prior notification is filed, such consent cannot be given until the prescribed screening period expires. As a result, such foreign investors may have difficulties giving such consent in accordance with an intended plan, or at all.

The discussion above is not exhaustive of all possible foreign exchange controls considerations that may apply to a particular investor, and potential investors are advised to satisfy themselves as to the overall foreign exchange controls consequences of the acquisition, ownership and disposition of shares of our common stock or voting rights by consulting their own advisors. For a more detailed discussion on the requirements and procedures regarding the prior notifications under the Foreign Exchange Regulations, see “Japanese Foreign Exchange and Certain Other Regulations”

USE OF PROCEEDS

We estimate that the net proceeds that we will receive from the sale of newly issued shares of our common stock in the global offering will be approximately ¥2,004 million, or ¥3,064 million if the over-allotment option is exercised in full, in each case, after deducting estimated aggregate underwriting discounts and estimated offering expenses payable by us. We intend to use the net proceeds from the global offering for working capital to develop infrastructure to further strengthen and smoothly operate our systems, in particular our KARTE Suite, and for increased hiring and personnel-related expenses in connection with the growth of our business, including additional hiring of software engineers and business and customer support personnel.

We will not receive any proceeds from the sale of existing shares of our common stock by the selling shareholders in the global offering.

INFORMATION CONCERNING OUR CAPITAL STOCK

Authorized and Issued Share Capital

As of the date of this offering circular, we have an authorized share capital of 141,635,600 shares of common stock, of which 35,408,900 shares of common stock are issued and outstanding. We do not hold any treasury stock.

The following table shows the changes in our issued shares of common stock and class shares in the past seven years:

		Total Number of Shares Outstanding				
Date	Type of issue	Common Stock	Class A	Class B	Class C	Class D
May 26, 2014[(1)]	Issuance of 19,800 shares of common stock	20,000	–	–	–	–
May 29, 2014[(2)]	Issuance of 4,616 shares of Class A preferred stock	20,000	4,616	–	–	–
July 28, 2015[(3)]	Issuance of 5,047 shares of Class B preferred stock	20,000	4,616	5,047	–	–
May 1, 2018[(4)]	Issuance of 3,316 shares of Class C preferred stock	20,000	4,616	5,047	3,316	–
February 27, 2019[(5)]	Issuance of 1,009 shares of Class B preferred stock	20,000	4,616	6,056	3,316	–
March 20, 2019[(6)]	Issuance of 13,988 shares of common stock	33,988	4,616	6,056	3,316	–
March 20, 2019[(7)]	Cancellation of shares of Class A, B and C preferred stock	33,988	–	–	–	–
April 4, 2019	1,000-for-1 stock split	33,988,000	–	–	–	–
July 1, 2019[(8)]	Conversion of 13,988,000 shares of common stock	20,000,000	4,616,000	6,056,000	3,316,000	–
November 7, 2019[(9)]	Issuance of 1,420,900 shares of Class D preferred stock	20,000,000	4,616,000	6,056,000	3,316,000	1,420,900
October 2, 2020[(10)]	Issuance of 15,408,900 shares of common stock	35,408,900	4,616,000	6,056,000	3,316,000	1,420,900
October 2, 2020[(11)]	Cancellation of shares of Class A, B, C and D preferred stock	35,408,900	–	–	–	–

Notes:

(1) On May 26, 2014, we conducted an allotment without contribution of 99 shares per 1 share of common stock.

(2) Third-party allotment to Femto Growth Capital LPS and Femto Startup LLP. Issue price per share: ¥32,500; Amount credited to equity per share: ¥16,250

(3) Third-party allotment to Femto Growth Capital LPS and JAPAN VENTURES I L.P. Issue price per share: ¥99,084; Amount credited to equity per share: ¥49,542

(4) Third-party allotment to Femto Growth Fund 2.0 LPS, JAPAN VENTURES I L.P., MITSUI & CO., LTD., MSIVC2018V Venture Capital Investment Limited Partnership, SMBC Venture Capital No.4 Investment Limited Partnership, Mizuho Growth Fund No.2 Limited Partnership and Mitsubishi UFJ Capital VI, Limited Partnership. Issue price per share: ¥602,919; Amount credited to equity per share: ¥301,459.5

(5) Exercise of stock acquisition rights.

(6) On March 20, 2019, by a resolution of our board of directors dated February 13, 2019, we acquired each share of Class A, B and C preferred stock in exchange for one share of our common stock.

(7) On March 20, 2019, by a resolution of our board of directors dated March 19, 2019, we cancelled all of the shares of Class A, B and C preferred stock that we had acquired in exchange for our common stock on the same date.

(8) On July 1, 2019, by a resolution of an extraordinary general meeting of our shareholders dated June 17, 2019, we converted 13,988,000 shares of common stock back into 4,616,000 shares of Class A preferred

stock, 6,056,000 shares of Class B preferred stock and 3,316,000 shares of Class C preferred stock, respectively, pursuant to the shareholders' agreement between us and our shareholders.

(9) Third-party allotment to Google International LLC Issue price per share: ¥1,142; Amount credited to equity per share: ¥571

(10) On October 2, 2020, by a resolution of our board of directors dated September 16, 2020, we acquired each share of Class A, B, C and D preferred stock in exchange for one share of our common stock.

(11) On October 2, 2020 by a resolution of our board of directors dated September 28, 2020, we cancelled all of the shares of Class A, B, C and D preferred stock that we had acquired in exchange for our common stock on the same date.

See "Description of Common Stock."

Listing of our Shares

The Tokyo Stock Exchange has approved the listing of our shares on the Market of the High-Growth and Emerging Stocks, or the Mothers Section. The purpose of the Mothers Section is to allow emerging companies to raise funds using the Tokyo Stock Exchanges market facilities. We expect that, in the absence of unforeseeable events, our shares will be listed and admitted for trading on the Mothers Section of the Tokyo Stock Exchange on or about December 17, 2020 (Tokyo time).

Dividend Policy

We believe that returning profits to our shareholders is an important business policy. However, given that we are currently in the process of growing our business, we intend to prioritize enhancing our capital reserves for the purposes of strategically investing in further improving our services, securing human capital and strengthening our management base. For these reasons, for our most recently completed fiscal year, we prioritized maintaining our capital reserves and did not declare any dividends. We intend to use funds from our capital reserves to invest in improving our profitability and diversifying our earnings base, starting with strengthening our financial position and expanding and developing our personnel.

Although we have not declared any dividends since our founding, in the future, we intend to examine returning profits to our shareholders taking into account our business environment and our financial performance and condition. Declaration of future dividends, including specific timing and amounts, remains undecided.

In the case of a distribution of surplus, our general policy is to declare dividends semi-annually for the fiscal year-end and interim period, respectively. Our articles of incorporation provide that the record dates for any fiscal year-end or interim dividends will be September 30 or March 31, respectively, and that, pursuant to Article 459, paragraph (1) of the Companies Act, any distribution of surplus will be declared by a resolution of our board of directors, except as otherwise provided by law. See "Description of Common Stock—Distribution of Surplus—General."

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our capitalization and indebtedness as of September 30, 2020 on an actual basis and on an adjusted basis (i) giving effect to the issuance and sale of an aggregate of 2,238,000 newly issued shares by us in the global offering (assuming the exercise in full of the over-allotment option in connection with the Japanese offering), but not the application of the net proceeds therefrom and (ii) reflecting our acquisition of all of our Class A preferred stock, Class B preferred stock, Class C preferred stock and Class D preferred stock in exchange for shares of our common stock and the subsequent cancellation of such shares of preferred stock on October 2, 2020. See "Use of Proceeds."

The information in this table is derived from our audited financial statements as of and for the fiscal years ended September 30, 2020 and 2019 included elsewhere in this offering circular and should be read together with such financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	As of September 30, 2020	
	Actual	As Adjusted
	(in thousands of yen)	
Short-term debt:		
Short-term debt	¥ 200,000	¥ 200,000
Current portion of long-term debt	317,720	317,720
Total short-term debt	517,720	517,720
Long-term debt:		
Long-term debt	¥ 380,040	¥ 380,040
Total long-term debt	380,040	380,040
Equity:		
Common stock(1)	961,321	2,617,441
Authorized—		
Actual: 80,000,000 shares of common stock, 20,000,000 shares of Class A preferred stock, 20,000,000 shares of Class B preferred stock, 15,952,000 shares of Class C preferred stock and 6,000,000 shares of Class D preferred stock		
As adjusted: 141,635,600 shares of common stock, no shares of preferred stock		
Issued—		
Actual: 20,000,000 shares of common stock, 4,616,000 shares of Class A preferred stock, 6,056,000 shares of Class B preferred stock, 3,316,000 shares of Class C preferred stock and 1,420,900 shares of Class D preferred stock		
As adjusted: 37,646,900 shares of common stock, no shares of preferred stock		
Capital surplus	2,921,324	4,577,444
Retained earnings (Accumulated deficit)	(2,278,551)	(2,278,551)
Total shareholders' equity	1,604,094	4,916,334
Total capitalization(2)	¥ 1,984,134	¥ 5,296,374

Notes:

(1) On October 2, 2020, we acquired each share of Class A, B, C and D preferred stock in exchange for one share of our common stock, and on the same date, we cancelled all of the shares of Class A, B, C and D preferred stock that we had acquired and our articles of incorporation were amended to remove the authorization to issue preferred stock.

(2) We define capitalization as the sum of total equity and long-term debt (which excludes the current portion of long-term debt).

Except as disclosed above, there has been no material change in our capitalization and indebtedness since September 30, 2020.

SELECTED FINANCIAL DATA

The following tables show selected financial data as of and for each of the three fiscal years ended September 30, 2020.

The selected financial data as of and for the fiscal years ended September 30, 2020, 2019 and 2018 is derived from our audited financial statements as of and for the fiscal years ended September 30, 2020 and 2019 and September 30, 2019 and 2018, which are included elsewhere in this offering circular. Our financial statements are prepared in accordance with Japanese GAAP, which differ in certain respects from accounting principles generally accepted in certain other countries.

The information below should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited financial statements and related notes included elsewhere in this offering circular.

The historical operating results presented below are not necessarily indicative of operating results that you can expect for any future period, and operating results for interim periods are not indicative of the results that may be expected for the full fiscal year.

	For the fiscal year ended September 30,		
	2018	2019	2020
	(in thousands of yen)		
Selected Statement of Income Data:			
Net sales	¥1,595,434	¥2,937,299	¥ 4,007,850
Cost of sales	393,128	794,017	1,153,096
Gross profit	1,202,306	2,143,282	2,854,754
Selling, general and administrative expenses	1,402,443	2,677,501	3,934,070
Salaries and allowances	482,817	924,016	1,511,801
Advertising expenses	205,522	535,604	831,255
Rents	161,432	310,309	310,709
Depreciation and amortization	24,427	52,492	25,848
Provision of allowance for doubtful receivables	–	–	1,501
Operating income (loss)	(200,137)	(534,218)	(1,079,316)
Other income (expenses), net	(27,931)	(304,481)	(125,779)
Income (loss) before income taxes	(228,068)	(838,700)	(1,205,095)
Income taxes	2,100	2,292	2,292
Net income (loss)	¥(230,169)	¥(840,993)	¥(1,207,388)

	As of September 30,		
	2018	2019	2020
	(in thousands of yen)		
Selected Balance Sheet Data:			
Cash and deposits	¥2,161,520	¥1,374,435	¥ 2,091,698
Accounts receivables, trade	219,103	360,726	473,230
Property and equipment, net	157,388	24,047	36,761
Intangible assets	2,209	–	–
Investment securities	–	–	104,492
Lease and guarantee deposits	334,687	285,377	285,377

	As of September 30,		
	2018	2019	2020
	(in thousands of yen)		
Total assets	2,957,969	2,202,017	3,068,993
Debt (current and non-current portions)	661,620	508,880	897,760
Short-term debt	41,620	–	200,000
Current portion of long-term debt	111,120	111,120	317,720
Long-term debt	508,880	397,760	380,040
Total liabilities	1,028,136	1,013,202	1,464,898
Total shareholders' equity	1,929,833	1,188,815	1,604,094

	For the fiscal year ended September 30,		
	2018	2019	2020
	(in thousands of yen)		
Statement of Cash Flows Data:			
Net cash provided by (used in) operating activities	¥ (80,995)	¥(623,276)	¥(1,012,751)
Net cash provided by (used in) investing activities	(490,239)	19,854	(167,437)
Net cash provided by (used in) financing activities	2,498,872	(183,663)	1,897,450

The following table sets forth certain operating data as of and for each of the five fiscal years ended September 30, 2020.

	As for and for the fiscal year ended September 30,				
	2016	2017	2018	2019	2020
Operating Data:					
ARR (thousands of yen)(1)	¥350,170	¥921,431	¥1,987,348	¥3,305,991	¥4,390,499
Subscription revenue (thousands of yen)(2)	¥164,279	¥668,254	¥1,420,069	¥2,768,237	¥3,819,632
Subscription revenue ratio(3)	55.0%	82.4%	89.0%	94.2%	95.3%
Subscriptions(4)	162	347	515	605	710
Customers(5)	109	241	343	397	474

Notes:

(1) ARR (annual recurring revenue) = MRR (monthly recurring revenue) for the last full month preceding (and including) the calculation date multiplied by 12. ARR is a non-GAAP measure. See "Glossary" for details.

(2) Subscription revenue = The amount of revenue recognized from subscribers of KARTE (for Web) and KARTE for App, including KARTE Datahub and other add-on options, excluding initial set-up and other one-time fees. See "Glossary" for details.

(3) Subscription revenue ratio = Subscription revenue divided by net sales. See "Glossary" for details.

(4) Subscriptions = The number of outstanding agreements for the deployment of KARTE (for Web) or KARTE for App. See "Glossary" for details.

(5) Customers = The number of separate legal entities that have active subscriptions for KARTE (for Web) or KARTE for App. See "Glossary" for details.

The following tables set forth certain operating data as of or for the three-month periods indicated.

	December 31, 2018	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020
Operating Data:								
ARR (thousands of yen)(1)	¥ 2,430,450	¥ 2,850,469	¥ 3,011,075	¥ 3,305,991	¥ 3,480,724	¥ 3,714,011	¥ 4,091,264	¥ 4,390,499
Subscription revenue (thousands of yen)(2)	¥ 563,685	¥ 670,265	¥ 739,053	¥ 795,233	¥ 840,190	¥ 910,077	¥ 994,426	¥ 1,074,937
Subscription revenue ratio(3)	94.4%	92.9%	94.7%	94.9%	94.9%	95.2%	94.6%	96.3%
Subscriptions(4)	548	581	579	605	632	667	678	710
Customers(5)	357	380	376	397	412	436	453	474

Notes:

(1) ARR (annual recurring revenue) = MRR (monthly recurring revenue) for the last full month preceding (and including) the calculation date multiplied by 12. ARR is a non-GAAP measure. See “Glossary” for details.

(2) Subscription revenue = The amount of revenue recognized from subscribers of KARTE (for Web) and KARTE for App, including KARTE Datahub and other add-on options, excluding initial set-up and other one-time fees. See “Glossary” for details.

(3) Subscription revenue ratio = Subscription revenue divided by net sales. See “Glossary” for details.

(4) Subscriptions = The number of outstanding agreements for the deployment of KARTE (for Web) or KARTE for App. See “Glossary” for details.

(5) Customers = The number of separate legal entities that have active subscriptions for KARTE (for Web) or KARTE for App. See “Glossary” for details.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with the financial statement and related notes included elsewhere in this offering circular. Our financial statements are prepared in conformity with Japanese GAAP, which differ in certain significant respects from accounting principles generally accepted in other jurisdictions, including U.S. GAAP and IFRS. The presentation in this section contains forward-looking statements that involve risks, uncertainties and assumptions, and are subject to the qualifications set forth under "Forward-Looking Statements." Our actual results may differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including but not limited to those set forth under "Risk Factors" and elsewhere in this offering circular.

Overview

We are a leading provider of CX SaaS in Japan. Our KARTE-branded products and solutions are subscription-based services that provide a differentiated one-stop platform that empowers organizations of all types, industries and sizes to enhance their digital CX and marketing by enabling them to deliver dynamic, context-driven and personalized experiences to their individual customers informed by real-time analysis of onsite activity.

Our company was initially formed in 2011, and we released our first commercial CX product, KARTE (for Web), in March 2015. Following that, we have continued to innovate and introduce new products and solutions as part of our KARTE Suite, including KARTE for App in March 2018, KARTE Datahub in December 2018, KARTE Live in April 2019 and KARTE Blocks (beta) in July 2020.

Since launching KARTE (for Web) in 2015, we have experienced rapid revenue growth. For the fiscal years ended September 30, 2018, 2019 and 2020, our net sales were ¥1,595,434 thousand, ¥2,937,299 thousand and ¥4,007,850 thousand, respectively, representing year-over-year growth from the previous year of 84.1% for the fiscal year ended September 30, 2019 and 36.4% for the fiscal year ended September 30, 2020, respectively. This decreased year-on-year growth was partly due to increased client churn resulting from difficulties in providing sufficient customer support to new clients after new product launches in 2018 due to limited support personnel and the impact of the COVID-19 pandemic on client acquisition activities.

We have also significantly expanded our customer and subscription bases. As of September 30, 2020, we had 474 customers with 710 subscriptions covering websites or mobile applications, mostly in Japan. Our customers represent a broad range of organizations in terms of industry and size, including large corporates in the apparel, real estate, IT/software, human resources/staffing, general e-commerce, financial services and cosmetic industries and small and medium-sized enterprises, or SMEs.

We derive almost all of our revenue from the sale of subscriptions to our KARTE (for Web) and KARTE for App solutions, as well as KARTE Datahub, KARTE Live and various other add-on options, which together comprise our KARTE Suite, as demonstrated by our subscription revenue ratio of 89.0%, 94.2% and 95.3% for the fiscal years ended September 30, 2018, 2019 and 2020, respectively. For KARTE (for Web) and KARTE for App, our core products, we typically enter into one-year subscription agreements with our customers. We generally charge an initial set up fee and fixed monthly payments, which are in principle based on the average MAU provided by the customer for its website or mobile application during the 12 months prior to entering into the subscription agreement. As part of our land and expand model, in addition to new customers, we seek to encourage customers to expand their subscriptions with or enter into new subscriptions for additional deployments of our products and solutions through sales, marketing and customer success initiatives and the continued development of new and enhanced products and solutions or functionality.

For the fiscal years ended September 30, 2018, 2019 and 2020, our operating margin was negative 12.5%, 18.2% and 26.9%, respectively, and our net losses were ¥230,169 thousand, ¥840,993 thousand and ¥1,207,388 thousand, respectively. This decline in operating margin was mainly due to server cost increases and increased selling, general and administrative expenses. See "—Cost Structure and Long-term Financial Model."

Recent Developments: COVID-19 Pandemic

The ongoing COVID-19 pandemic has significantly disrupted economies and markets around the globe, including Japan, the long-term effects of which on our business remain uncertain. The macroeconomic impact of COVID-19 and the measures taken by the Japanese government to limit the spread thereof, has been and continues to be significant. Among other things, many industries, particularly in the tourism, transportation, food/beverage and brick and mortar retail industries, have experienced significant declines in demand that has significantly impacted businesses operating in these industries. In addition, individual consumer behavior is being altered directly and indirectly due to a number of factors including restrictions on travel and mobility and changes in consumer sentiment. Although certain industries, such as e-commerce, have benefited comparatively from the COVID-19 pandemic, the impact of the COVID-19 and the measures taken by the governments to limit the spread thereof on economies around the world has been overwhelmingly negative, and the full extent of the impact of the pandemic and the prospects for and timing of any recovery in economic conditions remain uncertain.

In response to guidelines issued by national and local government in Japan as well as the reaction more broadly from businesses and the general population in Japan and abroad, we have refrained from holding live promotional and other marketing events, which may have adverse impact on our ability to attract new customers. In addition, we have taken certain measures to protect the health and well-being of our employees and their families in response to the COVID-19 pandemic, including implementation of remote work arrangements. These measures have resulted in certain additional costs associated with the implementation of remote working technologies. We have also held webinars and large online conferences, such as our KARTE Conference, as a substitute for traditional meetings and conferences, and business negotiations with counterparties have been taking longer due to the inability to meet face-to-face.

We anticipate that, at least in the short term, demand for our KARTE Suite may face downward pressure due to reduced investment in marketing and advertising by businesses. However, in the long term, we believe that certain trends being driven by, or which have accelerated due to, the COVID-19 pandemic, such as the increasing application of digital technologies in all aspects of business and society and the increasing prominence of e-commerce, will increase demand for our KARTE Suite. We continue to assess the impact of the COVID-19 pandemic on our business and the businesses of our customers.

Key Factors Affecting Our Results of Operations

We believe that the growth and future success of our business depends on many factors. While each of these factors presents significant opportunities for our business, they also pose important challenges that we must successfully address in order to sustain our growth and improve our results of operations.

The factors discussed below include certain key performance and operating metrics, including ARR and NRR that we monitor for internal management purposes. These metrics are calculated using internal company data and are not validated, audited or reviewed by an independent third party. We calculate these metrics based on our own internal definitions, which may not be comparable with similarly named metrics used by other companies, and they should not therefore be relied on to compare our operations with those of other companies. See “Risk Factors—Certain of our operating metrics are subject to inherent uncertainties in measurement, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.”

Acquiring New Customers

We are focused on continuing to acquire new customers to support our long-term growth. We have invested, and expect to continue to invest, in our sales and marketing efforts to drive customer acquisition. As of September 30, 2020, we had 474 customers. We believe that our ability to increase the number of customers is an indicator of our market penetration, the growth of our business and our potential future business opportunities. Increasing awareness of our KARTE Suite and its value proposition for our customers in enhancing their digital CX and marketing initiatives, coupled with the mainstream adoption of cloud-based technology, has expanded the diversity of our customer base to include organizations of different sizes across a broad range of industries.

Our sales, marketing and customer success teams work together to convert sales leads for new customers into subscriptions. Sales leads are generated through online advertisements, word-of-mouth by existing customers, marketing events and generally expanding awareness of our company and KARTE Suite. We also generate new customers through our distribution and consulting partner network, in which our partners provide us with brand exposure or actively promote and sell our KARTE Suite as part of their consulting activities with their customers.

Additionally, we may from time to time evaluate changes to our pricing models, including the introduction of lower priced services with more basic functionality, to increase our ability to attract potential customers. Any such changes in pricing models may impact our profitability depending on the associated revenues and costs of operating the relevant services.

Renewing and Expanding Sales to Existing Customers

In addition to acquiring new customers, we seek to retain our existing customers through subscription renewals and also generate expanded revenue from them by promoting increased use of our KARTE Suite within their organizations and by helping them to succeed in their digital CX strategies to drive increases in their MAUs on the sites or mobile applications deploying our products and solutions. Under our current pricing model, subscription fees are based in principle on a customer's website or mobile application MAU levels. Accordingly renewals by customers that have increasing MAUs, often lead to an increase in subscription fees for us. As part of our land and expand model, in addition to driving renewals, we also seek to drive additional deployments of our products and solutions to other websites and mobile applications within an existing customer's organization, upsell and cross-sell other products and solutions that we deliver to our customers with respect to current deployments for existing customers, all of which may result in higher subscription fees upon a subscription renewal.

We monitor our ARPA and ARPC as key metrics indicating how much customers value our products and solutions as well as our ability to upsell and cross-sell additional products and solutions to our customers. Our ARPA has steadily and continuously increased and reached ¥515,317 as of September 30, 2020 (achieving a CAGR of 32.5% over the three-year period ended September 30, 2020) and our ARPC has steadily and continuously increased and reached ¥771,888 as of September 30, 2020 (achieving a CAGR of 34.3% over the three-year period ended September 30, 2020). We also monitor our NRR as a key metric for our expansion of revenue from existing customers since it indicates revenue growth within specific cohorts of customers. Our NRR on a monthly average basis for the twelve months ended September 30, 2020, was 102.3%. We focus on NRR because it captures the impact on revenue of our customers increasing, decreasing or terminating or otherwise failing to renew their subscriptions.

Recurring Revenue

We view ARR as a supplemental measure to subscription revenues recognized in our financial statements. ARR is a particularly helpful indicator of our prospective performance since it is measured based on active subscriptions as of the last month during a particular measurement period. ARR allows us to more effectively plan for future periods. We have grown our ARR significantly in recent years, reaching ¥1,987,348 thousand, ¥3,305,991 thousand and ¥4,390,499 thousand as of September 30, 2018, 2019 and 2020, respectively. Increasing our ARR (as discussed above) enables us to more effectively plan and operate our business and model our future growth.

Cost of Sales

Our cost of sales includes primarily server costs paid to cloud infrastructure providers through which we operate our KARTE Suite. We structure our pricing scheme around average MAU as an indicator of the server costs we will incur as part of providing our products and solutions to the relevant customer. However, if a customer's average MAU increases rapidly over the course of the subscription agreement with us or if a customer has a highly active user base generating a large number of events, our initial pricing may not be sufficient to offset the increased server costs we would incur as part of providing our solutions to those customers. As of September 30, 2020, our cost of sales were ¥1,153,096 thousand, of which ¥1,020,626 thousand, or 88.5%, were server costs.

Over the three years ended September 30, 2019, our cost of sales as a proportion of revenue steadily increased due to higher server costs as a consequence of increased data usage, and peaked in the three-month period ended December 31, 2019 at 33.2%. Since then, our cost of sales as a proportion of revenue has improved in part due to us exerting greater monitoring and control over such costs, including by setting a target for server usage by our developers in January 2020. Cost of sales as a proportion of revenue for the three-month periods ended March 31, June 30 and September 30, 2020, and for the fiscal year ended September 30, 2020, were 27.7%, 26.9%, 28.0% and 28.8%, respectively.

Selling, General and Administrative Expenses

Our selling, general and administrative expenses are an important component of our overall cost structure and impact our overall profitability. For our internal planning purposes, we divide our selling, general and administrative expenses into three categories: research and development expenses, sales and marketing expenses and general and administrative expenses. These expense categories are described further below and are based on our own internal definitions. Accordingly, they do not match the breakdown of selling, general and administrative expenses presented in our financial statements.

The following table shows the breakdown of selling, general and administrative expenses based on these three categories:

	For the fiscal year ended September 30,		
	2018	**2019**	**2020**
	(in thousands of yen)		
Selling, general and administrative expenses:			
Research and development expenses	¥ 451,185	¥ 738,001	¥ 951,631
Sales and marketing expenses	720,417	1,463,904	2,443,812
General and administrative expenses	230,841	475,594	538,626
Total	¥1,402,443	¥ 2,677,501	¥ 3,934,070

Research and development. Our research and development expenses consist primarily of salaries and allowances for our engineering, product and design teams, as well as allocated overhead costs, including rents and other costs, and allocated depreciation and amortization. Overhead costs and depreciation and amortization are generally allocated based on the number of employees.

In order to grow our business and remain competitive within our market, we are continuously developing new products and solutions and enhancing the usability, functionality, reliability, performance, flexibility and extensibility of our existing products and solutions. The nature of product development cycles at times may cause us to experience delays between the time we record related expenses and the time we are able to offer compelling products and solutions and generate revenue therefrom. Our product development efforts may also not be successful in introducing or improving on products or solutions, and we may not be able to recoup expenses incurred for such efforts. In addition, we have a specific and pressing need for skilled software engineers and have recently incurred, and expect to continue to incur, expenses to recruiting and hiring such personnel in order to support our continued product development efforts. We also incur expenses associated with subcontracting to fill immediate workflow needs.

We expect our product development expenses to increase in future periods. In particular, we plan to continue to hire employees for our engineering, product and design teams to support our efforts to enhance the functionality and improve the reliability, availability and scalability of our KARTE.

Sales and marketing. Our sales and marketing expenses relate to both inside and outbound sales activities, as well as expansion efforts with our current customers. The expenses consist primarily of salaries and allowances for our sales and marketing personnel and advertising expenses such as costs relating to marketing programs and events and lead generation fees, as well as allocated overhead costs, including rents and other costs, and allocated depreciation and amortization. Overhead costs and depreciation and amortization are generally allocated based on the number of employees.

We generate approximately 86% of our sales directly through our revenue group, which consists of three functional teams: the deal generation team, sales team and account planning team. Our deal generation team is focused on initiating the sale process for potential customers from sales leads. Our sales team is focused on both attracting new customers as well as renewing, and expanding the use of our products and solutions within, our existing customer base. Our sales team is comprised of an enterprise team focusing on large organizations and a midmarket team focusing on all other organizations. Our account planning team is in charge of customer success, focusing on renewing and expanding contracts with existing customers. Our sales team covers both existing and new customers, whereas our account planning team is focused on existing customers including helping customers maximize their utilization of KARTE Suite. We have recently incurred, and expect to continue to incur, additional expenses as we grow our operations, particularly through the hiring of personnel for our teams described above. For further discussion, see "Business—Sales, Marketing and Customer Success—Sales."

We are also engaged in marketing efforts to create a community of KARTE Suite and to increase the awareness of the digital CX market generally and our KARTE Suite and KARTE brand in particular. In doing so we incur expenses consisting primarily of personnel-related costs, costs of organizing and holding marketing programs and events, including periodic KARTE "meet ups" and our less frequent but larger CX DIVE conference, and other allocated overhead and corporate expenses. For further discussion, see "Business—Sales, Marketing and Customer Success—Marketing." The ongoing COVID-19 pandemic has forced us to forego most of our live, promotional events since March 2020, and accordingly, we have been focused on webinars and large format online conferences, such as our KARTE Conference, in lieu of traditional meetings and conferences.

We plan to continue to invest in sales and marketing to grow our customer base and increase our brand awareness. The trend and timing of sales and marketing expenses will depend in part on the timing of marketing campaigns and the extent and duration of impact from the COVID-19 pandemic. Although sales and marketing expenses increased in absolute dollars in recent years, we expect our sales and marketing expenses to decrease as a percentage of our revenue over the long term, although our sales and marketing expenses may fluctuate as a percentage of our revenue from period to period due to the timing and extent of these expenses.

General and administrative. Our general and administrative expenses consist primarily of salaries and allowances for our legal, finance and human resources operations, as well as allocated overhead costs, including rents and other costs, and allocated depreciation and amortization. Overhead costs and depreciation and amortization are generally allocated based on the number of employees.

We expect to incur additional general and administrative expenses to support our growth as well as our transition to being a publicly traded company. We expect that general and administrative expenses will increase in absolute dollars in future periods, however we expect our general and administrative expenses to decrease as a percentage of our revenue over the long term, although our general and administrative expenses may fluctuate as a percentage of our revenue from period to period due to the timing and extent of these expenses.

Competition

The market for a cloud-based, one-stop platform that enables organizations to deliver dynamic, context-driven and personalized experiences to their online customers informed by real-time analysis of onsite customer activity and other data, such as our KARTE Suite, is relatively new. While there are various point solutions, such as CRM, MA and database management and analytics tools, that address one or more of the functions that our platform delivers, we believe that our KARTE Suite offers a level and range of real-time, onsite and end-to-end functionality that is currently unmatched. However, if our competitors develop a similarly capable platform, our results of operations and further growth prospectus may be negatively affected. For further discussion, see "Business—Competition."

Seasonality

We generally do not experience seasonality in our revenues from subscriptions. However, initial contract and contractual renewal periods frequently start from April 1, which marks the beginning of the fiscal year for many Japanese organizations. As a result, we frequently record a larger increase in revenue and a higher proportion of non-subscription revenues due to initial set-up fees during the three months ended June 30 each year.

Cost Structure and Long-term Financial Model

After the fiscal year ended September 30, 2016, we have consistently maintained an annual gross margin above 70% but have continued to record negative operating margins. Our gross margin was 75.4%, 73.0% and 71.2%, respectively, for the fiscal years ended September 30, 2018, 2019 and 2020. This decrease in our gross margin was driven largely by increased server costs, which grew faster than our net sales due to increased data usage by our customers.

We recorded operating margin of negative 12.5%, 18.2% and 26.9%, respectively, for the fiscal years ended September 30, 2018, 2019 and 2020. Our historical negative operating margin is the result of our gross margin and our sales and marketing expenses, our research and development expenses and our general and administrative expenses. In particular, the decrease in operating margin was driven primarily by the decrease in our gross margin as described above as well as increases in salaries and allowances due to expansion of engineering and sales and marketing headcount and increases in advertising expenses to support our business expansion. We view these expansion-related expenditures as critical to achieving sufficient operational scale to support sustained revenue growth over the long term.

We believe that our underlying financial model supports profitability over the long term. Specifically, we expect to be able to continue to maintain relatively stable gross margins going forward by managing our server costs as subscriptions to our services increase. In addition, we expect that over the long term we will reach sufficient scale where we will be able to significantly decrease sales and marketing expenses as a percentage of net sales and achieve more moderate decreases in research and development and general and administrative expenses as a percentage of net sales as our business matures and we continue to grow our revenue base. For a discussion of how we define these components of selling, general and administrative expenses, see "—Key Factors Affecting Our Results of Operations—Selling, General and Administrative Expenses." Our long-term objective is to eventually improve our cost structure to achieve and maintain healthy gross and operating margins.

Components of Results of Operations

Net Sales

We generate substantially all our net sales from our SaaS-business, which consists of sales of subscriptions to our KARTE Suite, including KARTE (for Web) and KARTE for App, and various add-on options, such as KARTE Datahub and KARTE Live. Our subscription agreements generally have a one-year term, and we generally bill our customers on a monthly basis. Sales of subscriptions generate net sales in the form of one-time, initial set up fees that are charged when we first enter into a subscription agreement with a customer, which are recognized as revenue in the first month of the contract period and fixed monthly subscription fees, which are recognized as revenue ratably over the related contractual term generally beginning on the date that the contracted products or solutions are made available to our customer. Amounts that have been billed are initially recorded as accounts receivable until paid. Our subscription agreements generally start at the beginning of a month, and cannot be canceled with refund of any fees, and the customer remains responsible for any unpaid amounts through the contract completion date.

Subscription revenue as a percentage of net sales may fluctuate period to period depending on the number of new subscription agreements we enter into (excluding renewals). Subscription revenue accounted for 89.0%, 94.2% and 95.3% of our net sales for the years ended September 30, 2018, 2019 and 2020, respectively.

Other revenue includes initial set-up and other one-time fees, paid customer support related to KARTE Suite, proof-of-concept type product offering revenues and revenues from discontinued plans which are no longer sold by us.

Cost of Sales

Our cost of sales includes primarily server costs paid to cloud infrastructure providers that host our KARTE Suite, as well as expenses related to services to maintain or monitor databases and servers.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist primarily of salaries and allowances, advertising expenses, rents and depreciation and amortization. The primary components of our selling, general and administrative expenses are summarized as follows:

Salaries and allowances. Salaries and allowances are the largest components of our selling, general and administrative expenses. Salaries and allowances consist primarily of employee compensation and benefits expenses that are not directly related to generating revenue from our business.

Advertising expenses. Advertising expenses relate to sales and marketing activities, as well as expansion efforts with respect to our current customers. The expenses consist primarily of marketing-related outsourcing costs, marketing programs and events and lead generation fees and other allocated overhead and corporate expenses.

Rents. Rents relate to the lease for our office space.

Depreciation and amortization. Depreciation and amortization expenses primarily consist of depreciation expenses for personal computers.

Other expenses. Other selling, general and administrative expenses primarily consist of expenses related to the use of external tools, including payments under distribution agreements, recruiting expenses and communication expenses.

Internal Controls Over Financial Reporting

We are currently a private company that is not subject to the requirements with respect to internal controls over financial reporting under the FIEA. Designing and implementing an effective financial reporting system is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to devote significant resources to maintain a financial reporting system that adequately satisfies our reporting obligations. In accordance with the FIEA, we will be required to have implemented and evaluate the effectiveness of such a system as of the end of our fiscal year and prepare our internal control reports every fiscal year, although because the amount of share capital on our statement of financial position as of September 30, 2020 was less than ¥10 billion and the amount of total liabilities as of the same date was less than ¥100 billion, our internal control reports will not need to be audited by our independent auditor for three years after the listing of our shares of common stock. We have established a system of internal controls over financial reporting, in a form suited for smaller size companies such as us, and are implementing a plan to comply with the requirements in a timely manner when they become applicable to us, which will not be until after the completion of the Japanese offering. See "Risk Factors—Failure to maintain effective internal controls could have a material adverse effect on our business and stock price."

Critical Accounting Policies and Estimates

We prepare our financial statements in accordance with Japanese GAAP, which requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the financial reporting period. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Because the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. Some of our accounting policies require higher degrees of judgment than others in their application. We consider the policies discussed below to be critical to an understanding of our financial statements as their application places the most significant demands on our management's judgment.

Allowance for Doubtful Receivables

Allowance for doubtful receivables is provided for possible losses arising from bad debt at an amount determined based on the historical default rates for normal receivables, plus an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers.

Allowance for Losses on Order Received

In order to provide for possible future losses related to contracts of orders on hand at the end of the fiscal year, those with high probability of generating losses and where it is possible to reasonably estimate the amount of such losses, the estimated amount of losses to be incurred in the future is provided as an allowance for losses on order received.

Results of Operations

Quarterly Results of Operations

The following table presents our unaudited quarterly results of operations for our last eight quarters. We believe our quarterly revenues illustrate the growth of our company over recent periods.

	For the three-month period ended							
	December 31, 2018	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020
	(thousands of yen)							
Net sales	¥ 597,263	¥ 721,399	¥ 780,577	¥ 838,060	¥ 885,508	¥ 955,556	¥1,050,956	¥1,115,829
Cost of sales	188,786	156,656	201,520	247,053	294,029	264,428	282,199	312,438
Gross profit	408,476	564,742	579,056	591,007	591,478	691,128	768,756	803,390
Selling, general and administrative expenses	527,001	647,969	744,089	758,440	1,172,859	1,023,814	849,144	888,252
Operating income (loss)	(118,524)	(83,226)	(165,033)	(167,433)	(581,380)	(332,685)	(80,388)	(84,861)
Other income (expenses), net	(2,927)	(82,029)	(53,367)	(166,156)	(9,806)	(25,555)	(84,553)	(5,864)
Income (loss) before income taxes	(121,452)	(165,256)	(218,400)	(333,590)	(591,187)	(358,241)	(164,941)	(90,726)
Income taxes	572	574	572	573	572	573	572	573
Net income (loss)	¥(122,025)	¥(165,830)	¥(218,973)	¥(334,164)	¥ (591,759)	¥ (358,815)	¥ (165,514)	¥ (91,300)

Years Ended September 30, 2019 and 2020

The following table shows our results of operations for the years ended September 30, 2019 and 2020:

	For the year ended September 30,	
	2019	2020
	(in thousands of yen)	
Net sales	¥ 2,937,299	¥ 4,007,850
Cost of sales	794,017	1,153,096
Gross profit	2,143,282	2,854,754
Selling, general and administrative expenses	2,677,501	3,934,070
Operating income (loss)	(534,218)	(1,079,316)
Other income (expenses), net	(304,481)	(125,779)
Income (loss) before income taxes	(838,700)	(1,205,095)
Income taxes	2,292	2,292
Net income (loss)	¥ (840,993)	¥ (1,207,388)

Net Sales

Net sales increased by ¥1,070,550 thousand, or 36.4%, in the year ended September 30, 2020 compared to the prior year, due to an increase in the number of subscriptions from 605 to 710 and an increase in average revenue per subscription. Our year-over-year growth for the year ended September 30, 2020 decreased compared to the prior year partly due to increased client churn resulting from difficulties providing sufficient customer support to new clients after new product launches in 2018 due to limited support personnel and the impact of the COVID-19 pandemic on client acquisition activities.

Cost of Sales

Cost of sales increased by ¥359,079 thousand, or 45.2%, in the year ended September 30, 2020 compared to the prior year, due mainly to increased server costs, which increased by ¥323,602 thousand, or 46.4%, to ¥1,020,626 thousand as compared to ¥697,023 thousand for the prior year, as a consequence of the increased data usage based on the above-mentioned increases in subscriptions.

Gross Profit

As a result of the foregoing, gross profit for the year ended September 30, 2020 increased by ¥711,471 thousand, or 33.2%, compared to the prior year. Our gross profit margin for the year ended September 30, 2020 was 71.2%, as compared to 73.0% for the prior year. The decline in our gross margin was due mainly to server cost increases as a consequence of the increased data usage described above.

Selling, General and Administrative Expenses

The following table sets forth the major components of our selling, general and administrative expenses for the years ended September 30, 2019 and 2020:

	For the year ended September 30,	
	2019	2020
	(in thousands of yen)	
Selling, general and administrative expenses	¥ 2,677,501	¥ 3,934,070
Salaries and allowances	924,016	1,511,801
Advertising expenses	535,604	831,255
Rents	310,309	310,709
Depreciation and amortization	52,492	25,848
Provision of allowance for doubtful receivables	–	1,501

Selling, general and administrative expenses increased by ¥1,256,569 thousand, or 46.9%, in the year ended September 30, 2020 compared to the prior year, due mainly to hiring of additional employees and increased branding and lead generation activities, which resulted in our salaries and allowances and advertising expenses increasing by ¥587,784 thousand, or 63.6% and ¥295,651 thousand, or 55.2%, respectively.

Operating Income (loss)

As a result of the foregoing, operating loss for the year ended September 30, 2020 was ¥1,079,316 thousand compared to operating loss of ¥534,218 thousand for the prior year. Our operating margin for the year ended September 30, 2020 was negative 26.9%, as compared to negative 18.2% for the prior year. The decline in our operating margin was due mainly to server cost increases as a consequence of increased data usage and to increased selling, general and administrative expenses due mainly to hiring of additional employees and increased branding and lead generation activities, as described above.

Other Income (expenses)

The following table sets forth our other income (expenses) for the years ended September 30, 2019 and 2020:

	For the year ended September 30,	
	2019	2020
	(in thousands of yen)	
Interest income	¥ 19	¥ 19
Interest expenses	(10,111)	(10,922)
Fees and commission received	–	945
Subsidy income	–	237
Listing expenses	(134,579)	(107,813)
Impairment loss	(160,037)	–
Stock issuance cost	(349)	(8,506)
Other, net	577	260
Other income (expenses), net	¥ (304,481)	¥ (125,779)

We recorded other expenses of ¥125,779 thousand in the year ended September 30, 2020, compared to ¥304,481 thousand for the prior year, due mainly to the absence of an impairment loss of ¥160,037 thousand as compared to the year ended September 30, 2019, which resulted from a write-down of buildings, tools, furniture and fixtures, software and lease and guarantee deposits due to a decrease in our expected earnings as compared to earnings originally expected by the end of the contract term of our lease for our previous head office.

Income Taxes

Income taxes in the year ended September 30, 2020 remained relatively the same compared to the prior year, due to an absence of taxable income for either year.

Net Income (loss)

As a result of the foregoing, net loss for the year ended September 30, 2020 was ¥1,207,388 thousand compared to net loss of ¥840,993 thousand in the prior year.

Years Ended September 30, 2018 and 2019

The following table shows our results of operations for the years ended September 30, 2018 and 2019:

	For the year ended September 30,	
	2018	**2019**
	(in thousands of yen)	
Net sales	¥ 1,595,434	¥ 2,937,299
Cost of sales	393,128	794,017
Gross profit	1,202,306	2,143,282
Selling, general and administrative expenses	1,402,443	2,677,501
Operating income (loss)	(200,137)	(534,218)
Other income (expenses), net	(27,931)	(304,481)
Income (loss) before income taxes	(228,068)	(838,700)
Income taxes	2,100	2,292
Net income (loss)	¥ (230,169)	¥ (840,993)

Net Sales

Net sales increased by ¥1,341,865 thousand, or 84.1%, in the year ended September 30, 2019 compared to the prior year, due to an increase in the number of subscriptions from 515 to 605 and an increase in average revenue per subscription, mainly due to a revision in our pricing scheme.

Cost of Sales

Cost of sales increased by ¥400,888 thousand, or 102.0%, in the year ended September 30, 2019 compared to the prior year, due mainly to an increase in server costs associated with the increase of our customers and deployments.

Gross Profit

As a result of the foregoing, gross profit for the year ended September 30, 2019 increased by ¥940,976 thousand, or 78.3%, compared to the prior year. Our gross profit margin for the year ended September 30, 2019 was 73.0%, as compared to 75.4% for the prior year, due mainly to server cost increases.

Selling, General and Administrative Expenses

The following table sets forth the major components of our selling, general and administrative expenses for the years ended September 30, 2018 and 2019:

	For the year ended September 30,	
	2018	**2019**
	(in thousands of yen)	
Selling, general and administrative	¥ 1,402,443	¥ 2,677,501
Salaries and allowances	482,817	924,016
Advertising expenses	205,522	535,604
Rents	161,432	310,309
Depreciation and amortization	24,427	52,492

Selling, general and administrative expenses increased by ¥1,275,057 thousand, or 90.9%, in the year ended September 30, 2019 compared to the prior year. Salaries and allowances increased due to increases in headcount, advertising expenses increased due to increases in online and offline advertising, including hosting CX-related events, and rent increased due to the relocation of our headquarters.

Operating Income (loss)

As a result of the foregoing, operating loss for the year ended September 30, 2019 was ¥534,218 thousand compared to operating loss of ¥200,137 thousand for the prior year. Our operating margin for the year ended September 30, 2019 was negative 18.2%, as compared to negative 12.5% for the prior year. The decline in our operating margin was due mainly to server cost increases and to increased salaries and allowances due to increases in headcount, increased advertising expenses due to increases in online and offline advertising and increased rent due to the relocation of our headquarters, as described above.

Other Income (expenses)

The following table sets forth our other income (expenses) for the years ended September 30, 2018 and 2019:

	For the year ended September 30,	
	2018	2019
	(in thousands of yen)	
Interest income	¥ 9	¥ 19
Interest expenses	(6,335)	(10,111)
Subsidy income	570	–
Commission fees	(15,000)	–
Listing expenses	–	(134,579)
Impairment loss	–	(160,037)
Stock issuance cost	(7,027)	(349)
Other, net	(148)	577
Other income (expenses), net	¥ (27,931)	¥ (304,481)

We recorded other expenses of ¥304,481 thousand in the year ended September 30, 2019, compared to other expenses of ¥27,931 thousand for the prior year, due mainly to expenses related to preparation for the listing of our common stock and an impairment loss of ¥160,037 thousand resulting from a write-down of buildings, tools, furniture and fixtures, software and lease and guarantee deposits due to a decrease in our expected earnings as compared to earnings originally expected by the end of the contract term of our lease for our previous head office.

Income Taxes

Income taxes in the year ended September 30, 2019 remained relatively the same compared to the prior year, due to an absence of taxable income for either year.

Net Income (loss)

As a result of the foregoing, net loss for the year ended September 30, 2019 was ¥840,993 thousand compared to net loss of ¥230,169 thousand in the prior year.

Liquidity and Capital Resources

Capital Requirements

Our principal capital and liquidity needs have been for working capital and expenditures relating to the operation and expansion of our business. Our working capital needs have significantly increased to support the expansion of our business in Japan. Our principal working capital requirements are for server costs, personnel expenses, marketing expenses, lease payments for our office space, repayment of short-term debt and current portion of long-term debt and payments of interest. We have also engaged in a limited amount of capital expenditures in property and equipment in connection with our business expansion.

Our future capital requirements will depend on many factors, including our revenue growth rate, subscription renewal activity, the timing and extent of spending to support further product development efforts, the timing and extent of additional capital expenditures to invest in existing or new office space, the expansion of sales and marketing activities, the introduction of new product capabilities and enhancement of our KARTE Suite and the continuing market acceptance of our products and solutions.

Capital Resources

Since our inception, we have financed our operations primarily through cash generated from our operations and equity issuances and from borrowings. Following the global offering, we expect our ongoing sources of liquidity to include a combination of cash and cash equivalents, cash generated from operations, borrowings and potential issuances of additional equity.

Borrowings

As of September 30, 2020, we had ¥200,000 thousand of short-term debt, ¥317,720 thousand of current portion of long-term debt and ¥380,040 thousand of long-term debt. Our long-term borrowings contain certain financial covenants including covenants to (i) maintain our net assets as of the end of each quarter beginning with the quarter ended September 30, 2018 at no less than the sum of (a) our interest bearing debt minus the principal amount of certain capital loans and (b) an amount equivalent to the cancellation penalty under the lease agreement for our head office and (ii) not to record an operating loss for any quarter beginning with the quarter ended September 30, 2018, provided that this will not apply in the case that the amount of operating loss plus (a) the amount of advertising expenses for such quarter, (b) the amount of hiring and training expenses for such quarter and (c) the amount of increase in salaries as compared to the same quarter in the previous year is a positive number. We are currently in compliance with all financial covenants under our borrowings.

The following table shows the balance of our current and long-term debt by maturity, as of September 30, 2020 (excluding interest expenses):

	As of September 30, 2020					
	Within one year	More than one year but less than two years	More than two years but less than three years	More than three years but less than four years	More than four years but less than five years	More than five years
	(in thousands of yen)					
Short-term Debt	¥200,000	¥ –	¥ –	¥ –	¥ –	¥ –
Long-term Debt	317,720	244,520	135,520	–	–	–
Total	¥517,720	¥244,520	¥135,520	¥ –	¥ –	¥ –

Equity Finance

We have in the past raised funds through the issuance of additional shares of our common and preferred stock. See “Information Concerning Our Capital Stock” and “Description of Common Stock.”

Stock Acquisition Rights

We regularly issue stock acquisition rights to our management and employees. See “Management—Stock Acquisition Rights.” Stock acquisition rights are treated as off-balance sheet arrangements and, upon exercise by the holder, our cash and cash equivalents would increase in the amount of the exercise price paid by the holder and our capital stock would increase in a corresponding amount.

Off-Balance Sheet Arrangements

Our off-balance sheet arrangements include stock acquisition rights granted to our management and employees and certain operating leases. See “Note 10. Lease Transactions” to our audited financial statements as of and for the fiscal years ended September 30, 2020 and 2019 and “Note 9. Lease Transactions” to our audited financial statements as of and for the fiscal years ended September 30, 2019 and 2018, each contained elsewhere in this offering circular.

Cash Flows

Cash and deposits as of September 30, 2020 increased by ¥717,262 thousand from the end of the prior year to ¥2,091,698 thousand. Cash and deposits as of September 30, 2019 were ¥1,374,435 thousand.

Years Ended September 30, 2019 and 2020

The following table presents information about our cash flows for the years ended September 30, 2019 and 2020:

	For the year ended September 30,	
	2019	2020
	(in thousands of yen)	
Net cash provided by (used in) operating activities	¥ (623,276)	¥ (1,012,751)
Net cash provided by (used in) investing activities	19,854	(167,437)
Net cash provided by (used in) financing activities	(183,663)	1,897,450
Net increase (decrease) in cash and cash equivalents	(787,084)	717,262
Cash and cash equivalents at the beginning of the year	2,161,520	1,374,435
Cash and cash equivalents at the end of the year	¥ 1,374,435	¥ 2,091,698

Net cash used in operating activities during the year ended September 30, 2020 was ¥1,012,751 thousand, compared with net cash used in operating activities of ¥623,276 thousand in the prior year. This increase was primarily due to increased expenditures, particularly those related to salaries and allowances and advertising, as well as server costs.

Net cash used in investing activities during the year ended September 30, 2020 was ¥167,437 thousand, compared with net cash provided by investing activities of ¥19,854 thousand in the prior year. This change was primarily due to our investment in Emotion Tech, Inc. as well as increased purchases of property and equipment.

Net cash provided by financing activities during the year ended September 30, 2020 was ¥1,897,450 thousand, compared with net cash used in financing activities of ¥183,663 thousand in the prior year. This change was primarily due to proceeds from issuance of stock as well as proceeds from long-term and short-term debt.

Years Ended September 30, 2018 and 2019

The following table presents information about our cash flows for the years ended September 30, 2018 and 2019:

	For the year ended September 30,	
	2018	2019
	(in thousands of yen)	
Net cash provided by (used in) operating activities	¥ (80,995)	¥ (623,276)
Net cash provided by (used in) investing activities	(490,239)	19,854
Net cash provided by (used in) financing activities	2,498,872	(183,663)
Net increase (decrease) in cash and cash equivalents	1,927,637	(787,084)
Cash and cash equivalents at the beginning of the year	233,883	2,161,520
Cash and cash equivalents at the end of the year	¥ 2,161,520	¥ 1,374,435

Net cash used in operating activities during the year ended September 30, 2019 was ¥623,276 thousand, compared with net cash used in operating activities of ¥80,995 thousand in the prior year. This increase was primarily due to increased expenditures, particularly those related to salaries and allowances, advertising and rent, as well as payments related to preparation for the listing of our common stock.

Net cash provided by investing activities during the year ended September 30, 2019 was ¥19,854 thousand, compared with net cash used in investing activities of ¥490,239 thousand in the prior year. This change was primarily due to the proceeds from collection of lease and guarantee deposits, the absence of new payments for lease and guarantee deposits and a decrease in expenditures the purchase of fixed assets.

Net cash used in financing activities during the year ended September 30, 2019 was ¥183,663 thousand, compared with net cash provided by financing activities of ¥2,498,872 thousand in the prior year. This change was primarily due to the receipt of proceeds from issuances of capital stock and short- and long-term debt during the prior year, and repayments of long-term debt and expenditures related to preparation for the listing of our common stock in the fiscal year ended September 30, 2019.

Off-Balance Sheet Items

We do not have any off-balance sheet financing arrangements.

Quantitative and Qualitative Disclosure About Market Risk

In the course of our business, we are subject to market risk. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in credit risk, liquidity risk and interest rate risk.

Credit Risk

Credit risk is the risk that a counterparty will default on its contractual obligations, resulting in a loss to us. We are exposed to credit risk in relation to accounts receivables from our customers, and we may face increased credit risk due to the impacts of the COVID-19 pandemic. We manage this credit risk by following our customer credit management rules. We also monitor payment terms and outstanding balances.

Liquidity Risk

Liquidity risk is the risk that we will encounter difficulty settling our financial obligations with cash or another financial asset. We manage our liquidity risk by following our fund management plans and maintain a certain level of liquidity on hand. We expect that we will have sufficient cash to settle our financial obligations as they come due.

Interest Rate Risk

We had cash and cash equivalents of ¥2,091,698 thousand as of September 30, 2020. We hold our cash and cash equivalents for working capital purposes. Our cash and cash equivalents are held in cash deposits. We are subject to interest rate risk in the course of our business, particularly with regard to our borrowing costs, as interest on our borrowings is primarily incurred at floating rates. As of September 30, 2020, we had ¥477,760 thousand of borrowings which bore interest at floating interest rates.

BUSINESS

Our Mission

Our mission is to maximize the value of people with the power of data. We believe in creating a positive customer experience that is tailored for each individual.

Overview

We are a leading provider of CX SaaS in Japan. Our suite of KARTE-branded products and solutions are subscription-based services that provide a differentiated one-stop platform that empowers organizations of all types, industries and sizes to enhance their digital CX and marketing efficiency by enabling them to deliver dynamic, context-driven and personalized experiences to their online customers informed by real-time analysis of onsite activity. KARTE Suite's powerful data analytics engine collects and analyzes a wide range of behavioral, contextual, anonymous demographic and other customer data as it is being generated to provide a rich, visual and constantly refreshing profile of individual customers and customer base. Using this data, organizations can better understand *who* their customers are and *how* and *why* they behave, and with this understanding create more timely, personalized and effective interactions with each individual customer or group of customers in order to promote customer engagement and activity. KARTE Suite enables organizations to design and implement communications, marketing messages and other tailored actions and experiences onsite, such as website configurations, push notifications and pop-up and chat messages, or through other digital channels, such as emails or communications through third-party SNS applications, and on a one-off basis or automated to respond to specific events or behaviors. This end-to-end functionality allows organizations to achieve a more customer-centric digital CX and marketing strategy all through one platform.

Our products and solutions can be quickly deployed and are easy to use, even for those without data analytics or other technical training. Our products are equipped with an intuitive user interface and customizable dashboards that allow organizations to visualize their customers on an individual or segmented basis, or for their customer base as a whole, and quickly derive valuable insights. They also offer flexible configuration to address different use cases, and multi-faceted extensibility to support integration with a wide range of other data management and marketing-related tools, further extending the platform's functionality and allowing it to be positioned as a central part of an organization's digital CX and marketing strategy.

In March 2015, we released our first commercial product, KARTE (for Web), and since then have continued to innovate and introduce new products and solutions to expand our KARTE Suite, including KARTE for App in March 2018, KARTE Datahub, a customer data platform, in December 2018, KARTE Live in April 2019 and KARTE Blocks (beta) in July 2020. We have achieved steady growth of subscriptions and as of September 30, 2020, we had 710 subscriptions for our core products, KARTE (for Web) and KARTE for App, from a broad range of customers in terms of size and industry, including small and medium-sized enterprises (SMEs) and large corporations in the apparel, cosmetics, general e-commerce, real estate, IT/software, human resources/staffing and financial services industries. Our net sales have grown steadily in recent years, and we recorded net sales of ¥298,517 thousand, ¥811,382 thousand, ¥1,595,434 thousand, ¥2,937,299 thousand and ¥4,007,850 thousand for each of the fiscal years ended September 30, 2016, 2017, 2018, 2019 and 2020, respectively. Our net sales for the fiscal year ended September 30, 2020 represented a year-on-year growth of 36.4%, and our gross profit for the same period was ¥2,854,754 thousand, representing a year-on-year growth of 33.2%.

On November 27, 2019, we announced a strategic partnership with Google, pursuant to which Google International LLC invested ¥1,622,667,800 in exchange for 1,420,900 shares of Class D preferred stock and we agreed to collaborate with Google to integrate GCP's machine learning and artificial intelligence technology into our KARTE platform. We believe this collaboration better positions us to provide businesses with a highly functional, highly scalable and secure cloud platform that will enable end-users to personalize and improve their CX.

We believe the market for digital CX and marketing products and solutions that offer truly real-time, end-to-end functionality like ours is significant and remains largely underpenetrated, particularly in Japan. We plan to leverage our comparative strengths to continue to grow our customer and subscription bases and enhance our differentiated technology platform to deliver further value to our customers. See "Our Strengths" and "Our Growth Strategy" below.

Our Story

Our company was founded in 2011 by our CEO, Kenta Kurahashi, to provide CX-related consulting services to e-commerce companies in Japan, leveraging his experience in digital marketing at Rakuten, where he oversaw web direction, advertising, marketing and mobile strategy for Rakuten's online shopping platform. The concept for KARTE originated in 2012, when Kenta Kurahashi met our current CPO, Naoki Shibayama, who at the time was a graduate student pursuing doctoral studies at the Graduate School of Information Science and Technology, The University of Tokyo and had researched and published extensively on artificial intelligence, machine learning and collaborative data filtering. Six months later, our two co-founders launched development of KARTE using insights gained from Mr. Kurahashi's experience in digital marketing at Rakuten and Mr. Shibayama's research in artificial intelligence and data analysis. The development of KARTE was grounded in a shared vision that the Internet did not enable organizations to truly know their customers notwithstanding significant advances in technology, and a shared desire to help organizations to overcome this by providing them with the tools to visualize their customers in real time and pursue "customer centric" digital CX and marketing.

The shared vision and desire of our co-founders led to the development and launch of our first commercial CX software product, KARTE (for Web), in March 2015. Today, KARTE (for Web) and our other KARTE branded products and solutions are deployed on hundreds of websites and mobile applications, mostly in Japan, to help organizations in their quest to achieve this refined concept of CX with their customers in the digital world. We believe in the potential of data to empower people, and that data is not just signs or symbols, but rather, that people, their behaviors and their emotions lie behind the massive data on the Internet. We would like to address and change companies that see data as just "data," not the people behind it.

Industry Trends in Our Favor

Growing awareness of CX

Maintaining positive relationships and connectivity to customers, including through effective CRM, has long been recognized as a key factor underlying the success and value of any business enterprise. In recent years, however, businesses have started to recognize the need to look beyond traditional CRM and embrace a more holistic focus on the totality and quality of experiences that businesses deliver to their customers. The phrase "customer experience" has become increasingly prominent in the marketing industry, as demonstrated by a roughly six-fold increase in the term's Google Trend Index from 2004 to 2020. According to a survey of 15,000 people across 12 countries (including Japan) conducted by PricewaterhouseCoopers in 2018, 82% of the respondents from top-performing companies responded that they pay close attention to the human experience around digital and tech, 73% of the respondents cited CX as an important factor in their purchase decisions, 65% of the respondents from the United States responded that they consider a positive experience with a brand to be more impactful than mere advertising and 59% of the respondents from the United States responded that they will walk away after several bad experiences, even if they love the company or the product. Based on CX-related events that we sponsor, we believe that this global awareness of CX is also translating into a growing awareness of CX in Japan, which has been further expanded as a result of the COVID-19 pandemic and the resulting emphasis on e-commerce and other digital/online services and technologies. This growing awareness of the importance of CX has naturally given rise to thoughts, analysis and methods on how an organization can manage and improve its CX, as well as tools designed to assist in that process.

Evolving engagement with customers in the digital world requires an expanded vision of CX and customer centricity

Over the past several decades, the Internet, as a medium for communication and interaction between businesses and their customers, has evolved in line with advances in technology, which has led to a fundamental change in the type of customer and other data available to businesses.

Initially, the Internet was a place for the static transfer of data and other content, and in terms of marketing, it has long been "corporate centric." In the first phase of the "corporate centric" digital marketing model, businesses focused on service creation and used corporate websites primarily to convey or obtain information about its products and services, and available technology did not enable website visitors to be identified to any meaningful degree. As technology improved, however, the Internet became a more useful conduit for interactivity among its users. Individuals and businesses began to communicate and transact with others all over the world, and in this second phase of the "corporate centric" digital marketing, model businesses focused their website marketing on maximizing customer attraction.

This increased activity, together with advances in technology, enabled businesses to obtain more information about an increasingly large segment of their overall customer base, whether provided directly by the customers, such as through memberships and surveys, or captured through website activity, such as web clicks and historical purchase data. While this additional information provided businesses with a level of insight about their customers that was not previously available to them, which enabled more targeted advertising and marketing campaigns, such data remained static, one-time snapshots that did not enable a fundamental shift in how businesses approached customer engagement.

Over the past decade, however, further advances in technology and the proliferation of mobile devices have elevated websites as well as mobile applications to critically important tools for engaging with customers and have forced businesses to think about and adopt new methods and approaches to customer engagement and digital marketing. Evolving customer expectations regarding accessibility, ease of use, functionality and security and increasing competition among businesses to differentiate their products and services have given rise to developments such as improved UIs (user interfaces), proliferation of social media sites and mobile applications, the introduction of online loyalty programs and expanded payment options, the adoption of enhanced encryption and security features and the deployment of customer service chatbots. Organizations have also recognized the potential value of big data and have sought to access and use their data more effectively in their marketing activities, which has led to the development of a wide range of point solutions, such as CRM, MA, database management and analytics tools. This leads businesses to generate and collect customer behavior data that provide greater context than purely static data and permit real-time analysis.

While certainly impactful for both businesses and customers, we believe that businesses have not yet been able to leverage these developments to evolve from a "corporate centric" model toward a "customer centric" digital marketing model in which they can come to understand their customers as individuals and interact with them in a truly personalized manner in real-time. We believe those are essential elements of effective CX and can only be achieved through tools that combine static data with customer behavior data to offer real-time analytical and operational capabilities.

Frustrations with digital interactions notwithstanding significant advances in technology

Although there is a large amount of digital information and wide range of digital marketing tools available to organizations today, both businesses and their customers have become increasingly frustrated that such data and tools do not effectively address and incorporate the needs and trends discussed above in a way that is easy to implement and operate.

From the business's perspective, the lack of a comprehensive tool or set of tools that enables them to truly know and understand their customers and their actions in context, e.g., *who*, *what*, *when*, *where*, *why*, and *how* and in real-time, inhibits meaningful engagement with customers in a timely, informed and personalized manner. In addition, the absence of automated, "low-code" or "no-code" tools, the inability to easily measure or gauge responses and feedback from customers and difficulties in effectively integrating and utilizing customer data, which is often disorganized, fragmented and segregated, are significant obstacles to a business's ability to develop and implement an effective digital marketing strategy. Furthermore, tools that are currently available tend to require a high skill set as well as heavy implementation and integration in order to be used. This raises the barriers for businesses to effectively use such tools to engage with their customers.

From the customer's perspective, common complaints include the inability to quickly access information or website content that addresses their particular needs and circumstances. In addition, customers also suffer from the business's lack of an informed and streamlined digital marketing strategy and high barriers to using digital marketing tools that businesses face. The lack of organized, comprehensive and integrated customer data management and analysis and difficulties in implementing and integrating tools on the business's part often result in customers being inundated with excessive, irrelevant, conflicting or ill-timed information and repetitive contacts from digital marketers through multiple channels.

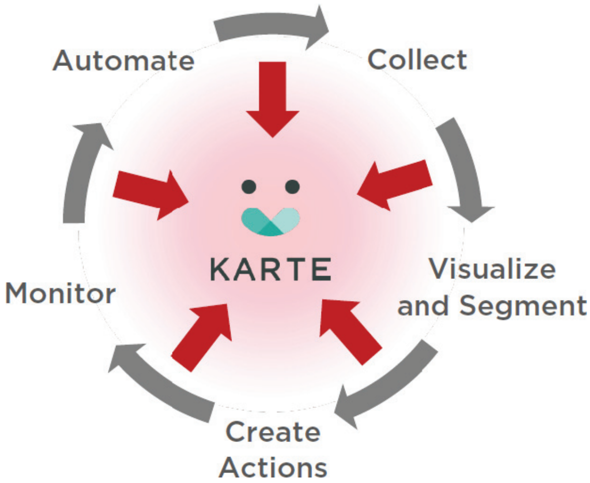
These frustrations highlight a common shortcoming of traditional digital marketing approaches – an inability to effectively create a truly real-time, informed and personalized customer experience that promotes customer engagement and activity.

Our Solution

The KARTE Suite is our solution to the trends and frustrations described above. It offers a way for organizations to better understand their online customers, including their habits, preferences and motivations through real-time data collection and visualization and by creating and automating personalized communications and actions, such as pop-ups, for individual customers or segments of customers on a real-time basis. With this, organizations can achieve a level and quality of digital CX and marketing that has not been possible through "analog" channels or with traditional digital marketing tools, such as existing CRM, MA and database management and analytics tools, alone.

Core functionality

Our KARTE Suite provides a differentiated, one-stop, cloud-based platform that empowers organizations to enhance their digital CX and marketing efficiency. It is built around our powerful and proprietary data analytics engine that collects and analyzes customer onsite activity as it is occurring, and integrates that information with existing customer data to generate a rich, visual and constantly up-to-date profile of an organization's customers. This enables organizations to more deeply understand *who* their customers are and *how* they behave and *why*, and with that understanding create timelier, better informed and personalized actions and engagements with their individual customers, or specific groups of customers, onsite or through other digital channels.



- *Truly real-time data collection and processing*. KARTE Suite enables the real-time collection and processing of a large amount of behavioral, contextual, anonymous demographic and other customer and event data originating from a wide range of online touchpoints. Onsite activity is collected and analyzed within fractions of a second of occurring and is continuously and seamlessly integrated with existing historical data to generate a rich and constantly updated profile of customers on an individual or segmented basis. Offline data can also be integrated using our KARTE Datahub solution.

- *Real-time visualization and segmentation*. KARTE Suite enables real-time monitoring, where organizations are able to visualize and analyze the onsite activities of their customers as they happen, together with historical customer data to gain a deeper understanding of their customers, including their habits, preferences and motivations. Our intuitive user interface and customizable dashboards enables users to view this information on an individual or segmented customer basis, or for the organization's entire customer base, and to quickly and easily identify trends and other actionable insights therefrom. KARTE Suite enables dynamic segmentation of customers in real time based on KARTE user-defined parameters, including onsite behaviors, such as duration of page view, scrolling activity, number and timing of site visits, purchase history, common website exit points, as well as anonymous demographic data, such as age and gender. KARTE Suite can update customer behavior data, create customer segments and carry-out defined actions within fractions of a second. As customers engage in onsite activity, KARTE Suite can provide constantly refreshing data based on user-defined customer segments.

- *Personalized actions and experiences that promote customer engagement*. KARTE Suite users can design and implement a range of actions and experiences that are tailored to a particular individual or segment. These tailored actions and experiences can be implemented onsite, such as website configurations, push notifications and pop-up and chat messages, or through other digital channels, such as emails and SNS communications sent through third-party applications, and can be initiated by website operators on a one-off basis or automated to respond to specific event or behavior triggers.

- *Monitoring and automation*. KARTE Suite users can quickly and easily analyze and compare the outcome of different actions and experiences that they have taken vis-a-vis their customers, for example, the outcome of an A/B testing for a particular website configuration or pop-up message design, and upon confirmation that the actions they created contribute to better customer experience, those actions can be set to be automatically published or executed.

- *Accumulate knowledge.* Through the process described above, KARTE Suite users can continuously accumulate wide-ranging insight about their customers and their behavior, as well as the effectiveness of KARTE users' own actions taken based on such information. This enables KARTE users to gauge the effectiveness of their digital CX strategy and make informed adjustments to further improve it in a cost-effective manner.

See "Business—Our KARTE Suite—Illustrative use cases" for more detailed examples of how certain organizations have used and benefited the features enabled by KARTE Suite.

Other key benefits

Other key benefits of our KARTE Suite include:

- *Quick and easy deployment and use*. Our KARTE Suite is quick to implement and relatively easy to operate by marketing operators, even for those without data analytics experience. It does not require lengthy onboarding engagements, dedicated onsite IT teams, custom implementations or long deployment cycles, and is easy to install. We provide flexible and relatively easy-to-use tools, such as templates, tutorials and drag and drop features, which make it accessible to a broader set of users, including non-technical, business-oriented personnel.

- *Flexible configuration to meet specific needs.* Users can configure almost all aspects of the platform to meet their particular needs and use cases, which vary by organization and industry. We also provide templates for data tagging, dashboard development and action design and execution protocols, and develop packaged solutions for particular use cases, as well as all of the tools necessary to enable customization to meet a user's specific needs.

- *Multi-faceted extensibility.* Using APIs and other extension tools developed by us or third parties, KARTE Suite can be easily integrated with many other database management and digital marketing tools and solutions to further enhance its usefulness for its users. For example, an organization can integrate data collected from online sources other than KARTE Suite, as well as offsite sources, and also expand the organization's customer engagement to offsite channels.

See "Business—Our KARTE Suite" for more detailed information about KARTE Suite's functionality and other benefits.

Our Market Opportunity

We believe the market for a differentiated, one-stop, cloud-based digital CX and marketing platform that empowers organizations to enhance their digital CX and marketing efficiency by delivering dynamic, context-driven and personalized experiences to their individual customers informed by real-time analysis of customer onsite activity is significant and remains largely underpenetrated. Advances in technology and the proliferation of mobile devices have made websites as well as mobile applications critical touchpoints for businesses to engage with their customers regardless of the industry. Based on our analysis of data from SimilarWeb Ltd. for February 2019, there were approximately 19,100 enterprise and mid websites operating in Japan, which we define as website domains with monthly UUs of more than 30,000, and approximately 109,500 including small-medium business websites operating in Japan, which we defined as website domains with monthly UUs of 30,000 or less but more than 1,000 UUs. Together, these enterprise, mid and small-medium business websites represented a total addressable market size of ¥1,304 billion in revenue potential, including a total addressable market size of ¥278 billion for enterprise and mid websites, calculated by multiplying the number of website domains in Japan by price per website for KARTE (for Web) and KARTE Datahub, based on the number of monthly UUs of each domain as of February 2019.

The current penetration rate for KARTE into this market for enterprise and mid websites as of September 30, 2020, defined as last twelve months revenue for KARTE (for Web) and KARTE Datahub divided by the total addressable market size of enterprise and mid websites, is 1.3%. We believe that our KARTE products and solutions could be deployed on many more of these websites to enable the relevant organizations to improve their digital CX and marketing strategies. Furthermore, because the above figures are calculated based on websites operating in Japan, they do not account for the potential to grow our KARTE for App in the smartphone market. Based on this, we believe there is substantial room for further deployment of our products and solutions in Japan.

The current levels of market spend on CRM/CX software and digital marketing services in Japan, the key direct markets for our KARTE Suite, also indicate there is room for further growth, given the small amounts relative to the global market size. We believe we can capture more market share within these key markets as demand shifts from traditional CRM, MA and other tools to one-stop digital marketing platforms with real-time functionality such as our KARTE Suite. In addition, we believe that the CRM/CX and digital marketing services markets remain relatively small compared to the global market size for these services, which indicate that these market segments in Japan continue to have growth potential. The market for CRM software in Japan for 2019 on an annual basis was estimated by Gartner to be only US $2.1 billion, compared to the estimated global CRM software market size of US$56.6 billion (Gartner, Forecast: Enterprise Application Software, Worldwide, 2018-2024, 3Q20 Update, Neha Gupta et al., September 30, 2020). Furthermore, assuming that the measure of penetration for cloud CRM software for 2019, defined as the total market size of CRM software as estimated by Gartner divided by the total selling and marketing expense of listed companies, is standardized as 1.0 for the United States, the same level of penetration based on this standardized level for the United States would be 0.60 for the United Kingdom but only 0.19 for Japan, demonstrating the room for growth of cloud CRM/CX software in Japan.

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Furthermore, the digital marketing services market in Japan was estimated by IDC to be approximately US$3.8 billion on an annual basis as of 2019 and the online advertising market in Japan was estimated by Dentsu Inc. to be approximately US$19.1 billion on an annual basis in its report "Advertising Expenditures in Japan for 2019." We believe the flexible and extensible nature of our KARTE Suite positions us to take wallet share from incumbent services in the customer support and online advertising sectors, areas which we believe our KARTE Suite has the potential to expand into by leveraging our existing customer relationships and KARTE Suite's unique real-time, onsite and end-to-end functionality.

Finally, the overall size of Japan's e-commerce market (including both BtoC and BtoB (retail)) was estimated to be approximately US$194 billion for 2019 according to the Ministry of Economy, Trade and Industry of Japan, using an exchange rate of JPY to USD of 110.0. While these markets do not directly equate to wallet size for CX solutions, we believe that awareness of the importance and value of CX will be driven by, among other things, a growing e-commerce market in Japan, which in turn positions us for further revenue growth since a substantial portion of our customers are in the e-commerce sector. For the fiscal year ended September 30, 2020, approximately 35.2% of our subscriptions were from the e-commerce sector (including companies from the apparel, beauty/cosmetics, lifestyle goods and general retail businesses), and the total gross merchandise value, or GMV, from purchase transactions using our KARTE Suite at our customers was approximately ¥1,972 billion on an annualized basis based on figures for the month of September 2020, which equates to 9.2% of the overall size of Japan's e-commerce market mentioned above.

We believe that the Japan market presents unique opportunities for us to continue to grow our business. In addition to the points mentioned above, including room for further expansion of digital marketing spend by Japanese companies, the lack of dominant domestic companies focused on marketing technology and SaaS, the high level of service expected by corporate clients, the concentration of corporate clients in Tokyo and its surrounding areas, and the access to high quality engineering resources, are all factors that we believe that we can leverage together with our competitive strengths to further expand our presence and business opportunities in Japan.

Our Strengths

We believe we have a number of competitive advantages that will enable us to maintain and extend our leadership position in digital CX solutions in Japan. Our competitive strengths include:

Our unique one-stop platform delivers true real-time functionality and facilitates a self-reinforcing product improvement cycle

KARTE Suite provides a differentiated one-stop platform that empowers organizations of all types, industries and sizes to enhance their digital CX and marketing efficiency by enabling them to deliver dynamic, context-driven and personalized experiences to their individual customers informed by real-time analysis of customer onsite activity. While there are various point solutions, such as CRM, MA and database management and analytics tools, that address one or more of the functions that our platform delivers, we believe that our

KARTE Suite offers a level and range of real-time and end-to-end functionality that is currently unmatched. In particular, while existing solutions enable their users to collect, segment, visualize and analyze customer data and to improve their marketing and other engagements with customers based on such data, their primary focus has been on historical data and offsite actions, whereas KARTE Suite provides truly real-time functionality which enables our customers to visualize onsite activity as it is occurring and to design and implement personalized, real-time actions and experiences based on a customer or a segment in response thereto. Our powerful, proprietary data analytics engine is capable of capturing and analyzing user and event data within fractions of a second of the data being generated, which we believe is significantly faster than competing solutions. Further, we believe our KARTE Suite is relatively easy to implement and operate in contrast to other point solutions, which can often require complicated configuration and integration on a customer by customer basis, thereby lowering the skill set need to effectively access the benefits offered by our KARTE Suite. Leveraging this truly real-time and unique onsite functionality, as well as its relatively easy implementation and operation, organizations are able to create more timely and personalized engagements with their customers through a variety of digital channels informed by constantly up-to-date customer data.

We also believe that our KARTE Suite facilitates a self-reinforcing product improvement cycle for our customers. With the differentiated functionality provided by KARTE Suite, our customers can gain a deeper level of understanding about their customers, which allows them to create more timely, personalized and effective customer interactions, improve customer service and elicit valuable customer feedback that can be used to drive better products and services, a larger customer base and improved brand awareness. All of this, in turn, provides more customer data for the organization and may lead to refined and expanded uses of KARTE Suite, thereby unlocking further value of KARTE Suite for our customers and incentivizing them to renew and expand their subscriptions with us.

We are a pioneer and a market leader in the CX software market in Japan, with a strong and well-diversified customer base

We believe our KARTE Suite is the first digital marketing solution to be developed and offered in Japan that delivers true, real-time functionality to users. This differentiated functionality has helped us to establish ourselves as a market leader in the nascent but growing CX software market in Japan. Since launching KARTE (for Web) in March 2015, we have quickly and steadily grown our customer base, which consists of businesses and other organizations of varying types, industries and sizes with a shared recognition that enhancing their CX and onsite digital marketing strategy is vital to achieving success in today’s increasingly complex marketplace. As of September 30, 2020, we had 474 customers and a combined 710 subscriptions for KARTE (for Web) and KARTE for App, which was launched in March 2018, indicating that many customers have more than one subscription with us.

Customers that have deployed our products and solutions include leading companies within their respective industries in Japan, among which are two of the top three domestic companies in each of the following categories (in each case based on net sales for the most recent fiscal year or in the case of the commercial banks, ordinary revenue, and in the case of rental property websites, customer satisfaction rankings by Oricon (2019) Customer Satisfaction Ranking of the Rental Housing Information Websites): commercial banks, online securities firms, retailers and rental property websites, as well as the top three domestic telecommunications companies (based on sales for the most recent fiscal year). Between September 30, 2017 and September 30, 2020, we were able to grow the number of customers with over ¥1 million in MRR by approximately nine times, demonstrating the attractiveness of our KARTE Suite for larger customers.

In terms of industry representation, for the fiscal year ended September 30, 2020, approximately 35.2% of subscriptions were from the e-commerce sector (including companies from the apparel, beauty/cosmetics, lifestyle goods and general retail businesses) and approximately 12.7% were from companies in the human resources/staffing sector. The rest were from, among others, the financial services, media, real estate, manufacturing, transportation sectors. No single customer represented more than 10% of our MRR. For the month of September 2020, our top ten customers accounted for 21.5% of our MRR.

Our robust KARTE ecosystem is supported by strong partnerships and products relationships

The KARTE Suite ecosystem is buttressed by a number of key partnerships, including with our strategic partner, Google, our distribution partners, such as salesforce.com, Inc., which provide us with access to their broad customer bases, and our consulting partners, such as NRI digital, Ltd., or NRI digital, and transcosmos inc., or transcosmos, who market our KARTE Suite as part of their consulting and other services to their clients and provide further opportunities to expand our customer base. In particular, pursuant to our strategic partnership with Google, we will collaborate with Google to integrate GCP's machine learning and artificial intelligence technology into our KARTE platform, and we expect to be able to provide businesses with a highly functional, highly scalable and secure cloud platform that will enable end-users to personalize and improve their CX as a result. These partnerships have played an important role in our growth so far, and we expect them to play a key role in further accelerating our distribution strategy going forward.

We also maintain mostly informal arrangements with developers and providers of software, tools or solutions that can be integrated with our KARTE Suite through APIs and other extension tools to provide broader and enhanced functionality to our products and solutions for the benefit of our customers. This includes expanding the sources of data that can be captured by and integrated into our KARTE Suite, and diversifying the channels through which our customers are able to engage with their website visitors and mobile application users. Key product partners include looker (which is now part of Google), salesforce.com, Marketo, shopify and SendGrid. Associations with our product partners demonstrate the extensible nature of our KARTE Suite and provide further opportunities to expand our customer base and website/mobile application deployments.

We have a strong land and expand model

KARTE Suite's quick deployment, relative ease of use and simple pricing model make it easier for an organization to introduce it as part of its digital marketing strategy, while its flexible configuration and multi-faceted extensibility enable organizations to further adapt it to meet their growing and evolving needs and integrate it with existing tools and solutions. These characteristics form the foundation of our land and expand model, in which we seek to increase revenues from our existing customers through:

- additional subscriptions for deployments on other websites or mobile applications operated by the customer;
- upselling and cross-selling other KARTE solutions and add-on options; and
- subscription renewals and upselling related to MAU growth at customers' websites or apps.

Within larger organizations, deployment of our products and solutions on one website or mobile application can often lead to additional deployments within that same organization, particularly as the organization discovers additional uses for our KARTE Suite to drive further value. Many of our customers have moved beyond using our KARTE product and solutions simply for onsite or on-App marketing, and are using them for other distinct purposes, such as market research, customer data platform, customer support/success, O2O (offline and online) sales support and business development. In addition, since a major portion of our subscriptions is for KARTE (for Web), our other solutions, including KARTE for App and KARTE Datahub, KARTE Live and various other add-on options, provide key upsell and cross-sell opportunities for us. Further, because our subscription fees are determined in part on our customers' MAU levels, our pricing model helps to convert the successful use of our products and solutions by our customers into increased revenue opportunities for us. Through these opportunities, it is not uncommon for customers to dramatically increase their MRR after their initial contract with us. For example, we have particular customers in the e-commerce, travel, financial services and human resources/staffing sectors whose MRR has increased 36x, 42x, 66x and 87x, respectively, within 58 months, 58 months, 44 months and 56 months, respectively, of their initial contracts.

We monitor our ARPA and ARPC as key metrics indicating how much customers value our products and solutions as well as our ability to upsell and cross-sell additional products and solutions to our customers. Since launching KARTE (for Web), our ARPA has steadily and continuously increased and reached ¥515,317 as of September 30, 2020 (achieving a CAGR of 32.5% over the three-year period ended September 30, 2020) and our ARPC has steadily and continuously increased and reached ¥771,888 as of September 30, 2020 (achieving a CAGR of 34.3% over the three-year period ended September 30, 2020). We also monitor our NRR, which indicates revenue growth within cohorts of existing customers as a key performance indicator for our land and expand model. As of and for the year ended September 30, 2020, our average NRR, presented on a monthly average basis for the last twelve months was 102.3%, indicating strong expansion of revenue within that cohort of customers. See the "Glossary—net revenue retention" for a description of our calculation methodology. We believe our ARPA and our subscription revenue ratio are higher than many other major SaaS companies operating in Japan, and although such companies operate in other SaaS areas that may have different business models than CX software, we believe this is indicative of our strength as a SaaS company.

Our Growth Strategy

Leveraging our strong land and expand model and other strengths described above, we will pursue further growth through the acquisition of more customers and continued expansion of sales to our existing customer base. In particular, we will seek to:

Drive new customer sales via an efficient sales strategy

As described above under "—Our Market Opportunity," we believe that the market for KARTE Suite remains largely underpenetrated across a wide range of industries in Japan. We will continue to promote the acquisition of new customers through reliance on our internal sales and marketing teams and initiatives as well as our partner network. We recently restructured our internal sales and a part of our marketing team into three-team revenue group: the deal generation team, sales team and account planning team. Our deal generation team is focused on initiating the sale process for potential customers from sales leads, and our sales team, which is comprised of an enterprise team focusing on large organizations and a midmarket team focusing on all other organizations, is focused on both attracting new customers as well as renewing, and expanding the use of our products and solutions within, our existing customer base. Our internal sales and marketing teams generated approximately 86% of our net sales for the fiscal year ended September 30, 2020, so they are a critical part of our business, and we will continue to evaluate and focus on how to further strengthen them to continue to drive growth from new customers in an efficient manner. We believe that we have a higher sales efficiency, which we define as (i) the subscription revenue for a given fiscal year minus subscription revenue for the previous fiscal year divided by (ii) sales and marketing expenses for the previous fiscal year, with our sales efficiency of 72% for the fiscal year ended September 30, 2020, than most other major SaaS companies in Japan and the Unites States.

In order to maximize the universe of potential new KARTE users, we continuously evaluate our subscription plans, and in particular, our pricing options, and will continue to do so in the future. However, we put a particular focus on acquiring new customers that are large and reputable companies that have the potential to result in high MRR or are beneficial to the brand of our KARTE Suite.

Lastly, we also plan to deepen and expand our distribution network through our partner ecosystem. In particular, we will seek to leverage our relationships with our strategic partners, such as Google, whereby we will collaborate to integrate GCP's machine learning and artificial intelligence technology into our KARTE platform to make it even more attractive and useful for prospective customers. By marketing and offering our products and solutions in collaboration with our strategic partners and otherwise leveraging our strategic partnerships, we expect to be able to further expand our customer base and website/mobile application deployments in a cost effective manner to us. We believe that leveraging partnerships to drive sales growth is important for increasing penetration in the Japan market, as many Japanese companies have relationships with Google or other distribution or consulting partners.

Further expand sales within our existing customer base

We seek to generate additional revenue from our existing customers by promoting increased use of our KARTE Suite within organizations, and by helping our customers succeed in their CX strategies to drive increase in their MAUs. In particular, we will seek to further increase average revenue for our existing customers by expanding our products and services to additional website/mobile application deployments within an organization. For example, we intend to promote the adoption of our products and solutions by larger organizations that operate distinct businesses or have additional use cases for which our products and solutions could be deployed, and by affiliated entities of existing customers operating outside of Japan. We will also seek to upsell value-add options, such as KARTE Datahub and KARTE Live and cross-sell other products to existing KARTE (for Web) users, such as KARTE for App. We will also focus on annual subscription renewals as a means to maintain and increase our average revenue for our existing customers. Under our subscription model, in which pricing is based in principle on a customer's website or mobile application MAU levels, renewals by customers that have increasing MAUs often lead to an increase in subscription fees for us.

Recognizing that many organizations rely on multiple solutions and tools as part of their existing database management and digital marketing strategies, we will continue to strengthen the KARTE Suite ecosystem and demonstrate the extensible nature of our KARTE Suite through additional product tie ups to ensure that KARTE Suite users continue to be able to integrate our products and solutions with their other data and digital marketing tools.

Under our restructured internal sales and marketing structure, our sales team and account planning team are responsible for renewing and expanding the use of our products and solutions within our existing customer base. Our sales team covers both existing and new customers, whereas our account planning team is focused on existing customers including helping customers maximize their utilization of KARTE Suite. As mentioned above, our internal sales and marketing teams generate approximately 86% of our net sales, so they are a critical part of our business, and we will continue to evaluate and focus on how to further strengthen them to continue to drive growth from existing customers in an efficient manner.

Since launching KARTE (for Web), our ARPA has steadily and continuously increased and reached ¥515,317 as of September 30, 2020 (achieving a CAGR of 32.5% over the three-year period ended September 30, 2020) and our ARPC has steadily and continuously increased and reached ¥771,888 as of September 30, 2020 (achieving a CAGR of 34.3% over the three-year period ended September 30, 2020). We believe there is room to further increase our ARPA and APRC.

Seeks ways to leverage the value of accumulated data

As a platform solution that operates between websites and mobile applications and their visitors, we are uniquely positioned to capture insights from accumulated data, which can be used to further refine and expand our products and solutions. In particular, KARTE (for Web) or KARTE for App is prominently used in the e-commerce industry, which generates a significant amount of customer data. The total GMV from purchase transactions using our KARTE Suite at our customers was approximately ¥1,972 billion on an annualized basis based on figures for the month of September 2020, which we believe compares favorably with other major e-commerce companies operating in Japan. Based on the size of the e-commerce market of BtoC and BtoB retail in Japan for 2019 of US$194 billion according to the Ministry of Economy, Trade and Industry using an exchange rate of JPY to USD of 110.0, our GMV represented approximately 9.2% of the overall Japanese e-commerce market. Furthermore, for the fiscal year ended September 30, 2020, approximately 35.2% of our subscriptions were from the e-commerce sector (including companies from the apparel, beauty/cosmetics, lifestyle goods and general retail businesses). We will also consider ways to broaden and deepen our relationships with existing customers and to attract new customers in the future by leveraging our accumulated data and the insights that we believe can be derived therefrom.

Our KARTE Suite

Our suite of KARTE-branded SaaS products and solutions provides a differentiated, one-stop platform that empowers organizations of all types, industries and sizes to enhance their digital CX and marketing efficiency by enabling real-time analysis of customer onsite activity and a dynamic, context-driven and personalized onsite customer experience.

Our products and solutions can be quickly deployed, are relatively easy to use and offer flexible configuration and extensibility allowing for integration with a wide range of other data management and marketing tools. This enables organizations to further extend the platform's functionality and position it as a central part of their digital CX and marketing strategy.

Core products and solutions

KARTE Suite currently consists of the following core products, which we offer to our customers on a subscription basis:

KARTE (for Web) was launched in March 2015 and our core CX and digital marketing solution designed for implementation on organizations' websites. It provides real-time functionality and an intuitive user interface and dashboards to enable its users to collect, segment, visualize and analyze its customer's onsite activity in real time and to utilize such data to improve its digital CX and marketing by creating more timely, informed and personalized actions and experiences for its customers. It can be quickly deployed, is relatively easy to use and offers flexible configuration and extensibility. See "—Key functionality" below for a more detailed discussion and examples of how KARTE Suite can be used by organizations to enhance their digital CX and marketing strategy.

KARTE for App was launched in March 2018 in response to growing demand from our existing and prospective customers for a solution that supports digital CX and marketing strategy through mobile applications. KARTE for App provides a similar range of functionality as KARTE (for Web) but is designed specifically for mobile applications. Customers that use both our KARTE (for Web) and KARTE for App solutions are able to visualize and analyze the data generated by both their website visitors and their mobile application users on an integrated basis.

We primarily offer KARTE (for Web) and KARTE for App on a yearly, paid subscription basis. As part of our sales and marketing activities. We also offer shorter trial subscriptions on a paid basis to prospective customers who would like to try our products and solutions before committing to a one-year subscription.

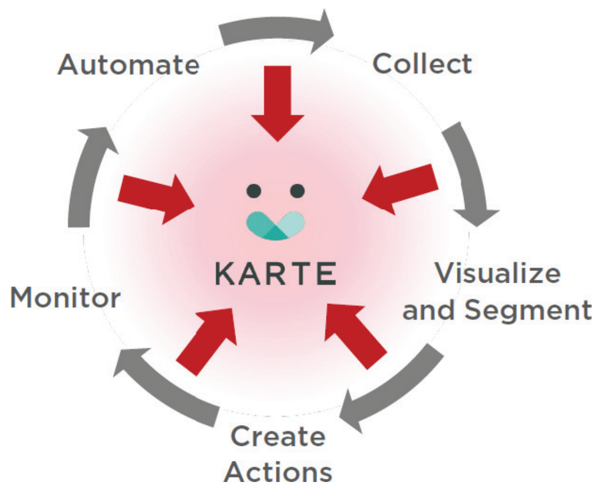
Under our pricing model, new subscribers pay an initial set up fee at the time they enter into the subscription with us, and a fixed subscription fee on a monthly basis. The initial set up fee and fixed monthly fee amounts are generally determined based on the subscriber's average annual MAU on the website (in the case of KARTE (for Web)) or mobile application (in the case of KARTE for App) on which the KARTE product will be deployed for the 12-month period prior to deployment, plus add-on options selected by the subscriber. Generally we enter into one subscription for each deployment of KARTE (for Web) or KARTE for App; however, for certain customers we have entered into one or more agreements covering more than one website or mobile application deployment.

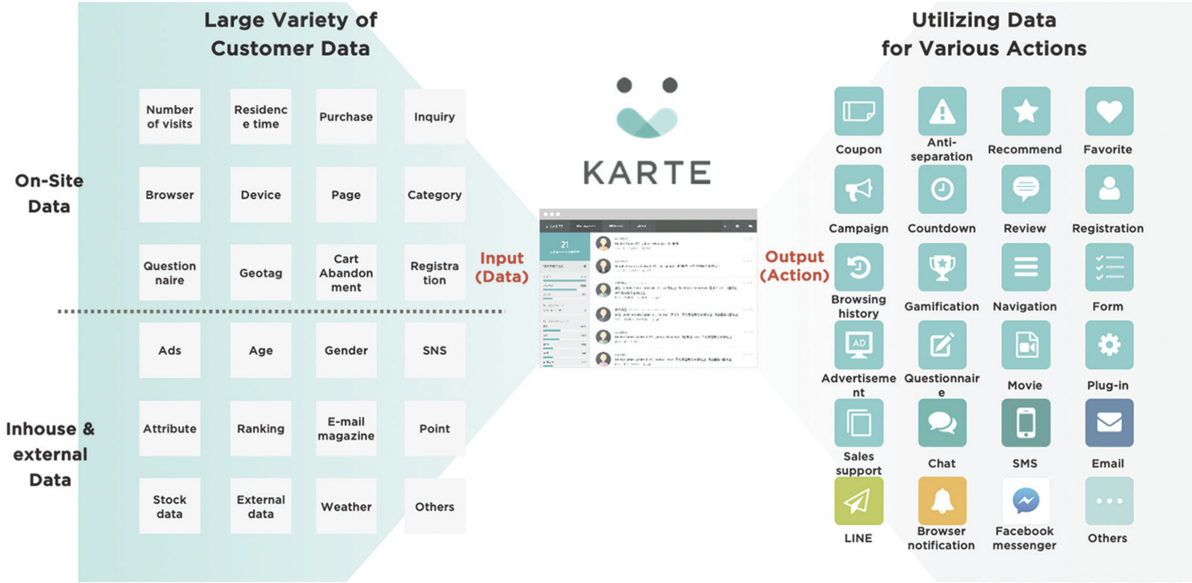
Key functionality

Our KARTE Suite provides a differentiated, cloud-based technology platform that empowers organizations to enhance their CX and improve the effectiveness of their digital marketing strategy. It is built around our powerful and proprietary data analytics engine, which enables the unique real-time collection, visualization and analysis of customer data that organizations can use to create timelier and better informed and personalized actions and engagements with their customers, on an individual or segmented basis. These engagements take the form of communications, marketing messages and other actions and experiences implemented onsite or through other digital channels in real-time, and can be initiated by website operators on a one-off basis or automated to respond to specific events or behaviors. This process allows KARTE users to accumulate knowledge and insight about their customers and their behavior, as well as the relative success or failure of the KARTE user's own actions, thereby enabling the KARTE user to gauge the effectiveness of their digital CX strategy and make informed adjustments to further improve it in a cost-effective manner.

Our products and solutions can be quickly deployed and are relatively easy to use, even for those without data analytics training or expertise. They offer flexible configuration, which allows organizations to deploy them to address different use cases across an organization, and extensibility, which allows organizations to further extend the platform's functionality by integrating it with a wide range of other data management and marketing tools.

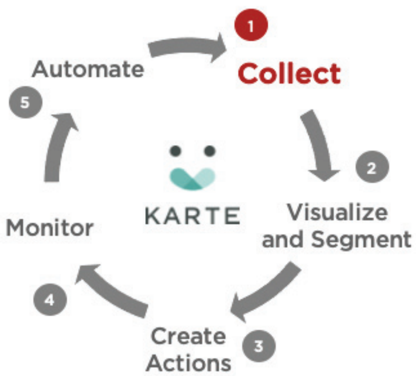
The different processes of data collection, visualization and segmentation of users, creation of personalized customer actions and engagements, monitoring and automation and accumulation of knowledge using our KARTE Suite are detailed below.

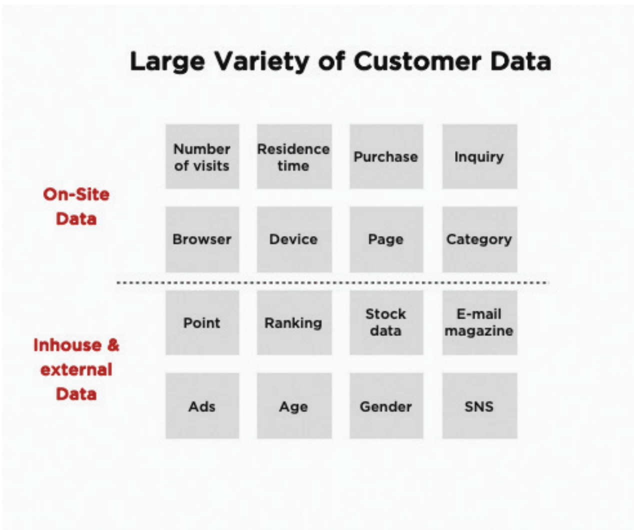




Data Collection. Our KARTE Suite enables the collection and analysis of a large amount of behavioral, contextual, demographic and other customer data originating from onsite activity or from a wide range of other digital touchpoints. KARTE Suite users apply pre-determined "tags" (or software development kits, or SDKs, in the case of KARTE for App) or create their own tags in accordance with their specific data needs. Tags can be used to capture a wide variety of browsing information (e.g., total page views, average time spent on a page, referral path, mouse movements and scrolling), user attribute information (e.g., name, email address, demographic data, subscriber status and member ranking) and event information (e.g., purchase, changes in membership status and other customized events). Our KARTE Suite provides a wide range of tracking, user and conversion tags that can be implemented as is or can be modified to meet the organization's particular needs.

KARTE (for Web) and KARTE for App enable extensive collection and analysis of data and information available through the website visitor's or the mobile application user's onsite or on-app activities. In addition, through KARTE Datahub, KARTE Suite users can integrate a range of user data that was prepared by the customer to further enhance the functionality and usefulness of our KARTE Suite. See "—Other products and solutions—KARTE Datahub."





Visualization of and Segmentation of Users. When our customers log into our KARTE platform, they first see the User List screen, which, as shown below displays the total number of visitors active on the website or mobile application (as recent as the past minute, subject to data capacity), and summary information regarding every active website visitor or mobile application user. Individual user information on this page includes:

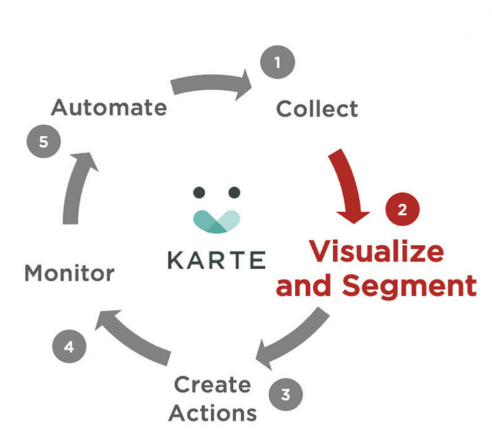
- an expression icon for each visitor or user, which can be used to signify the visitor's or user's CX "score" based on a customizable scale designed by the KARTE operator,

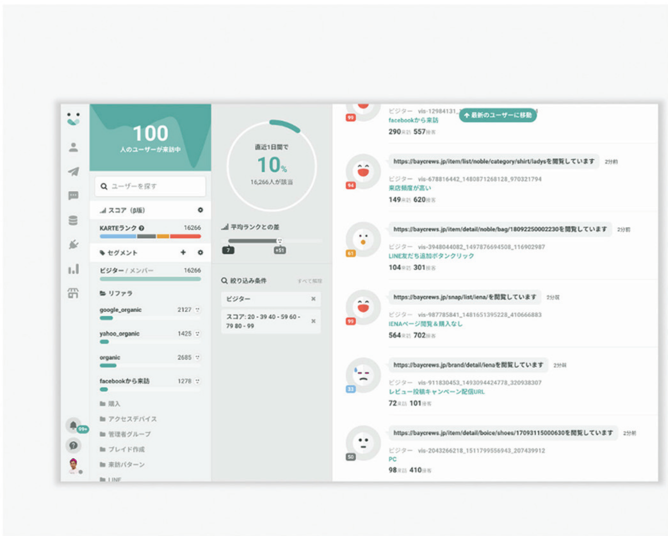
- the webpage the visitor is currently viewing or the mobile application the user is currently accessing,

- attribute information, such as age, sex/gender, name and email address, if registered, and

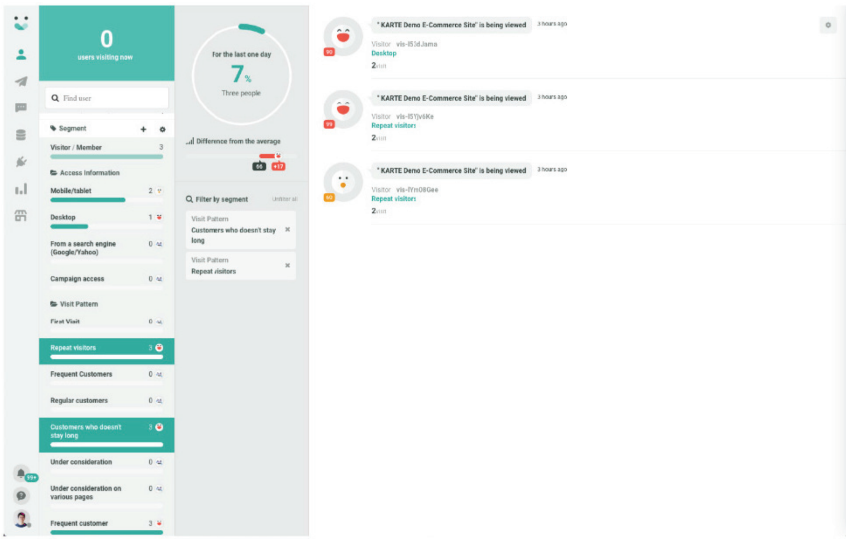
- the number of visits to the particular website or the number of times the user has opened the particular mobile application during the past seven days.

Our KARTE Suite can sort customer data on a real-time basis as it is being generated, as well as historical customer data, based on user-defined parameters. Common parameters include particular onsite behaviors, such as duration of page view, scrolling activity, number and timing of visits, duration of visit, scroll activity, common website exit points, as well as anonymous demographic data, such as age, gender/sex, etc. Segmentation allows organizations to better understand patterns among their customer base and to design actions and experiences that are tailored for particular types of customers.

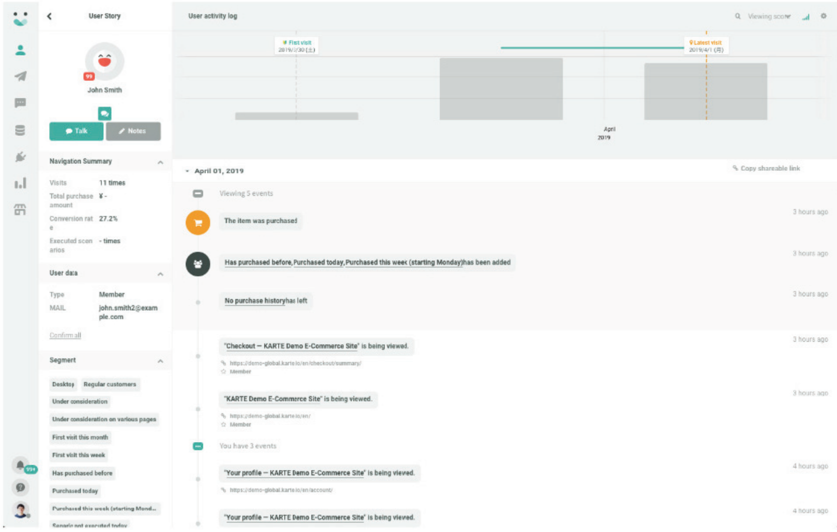




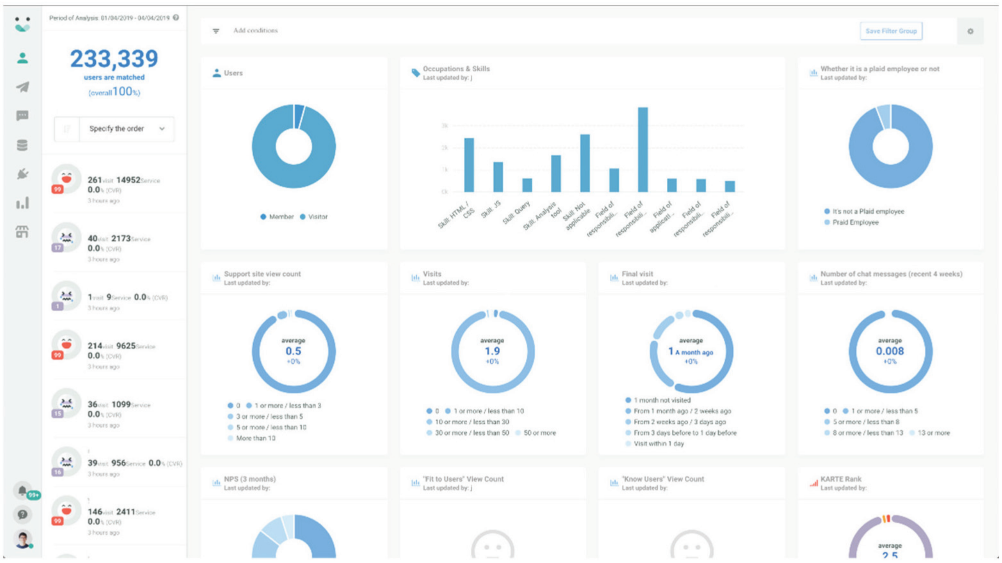
Visitors and users appearing on the User List screen can also be viewed and analyzed on a segmented basis using pull-down menus or customizable categories.



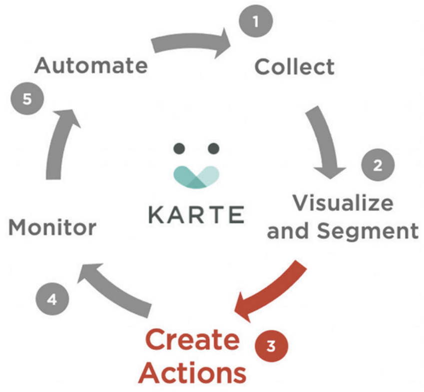
To learn more about an individual website visitor or mobile application user, the website operator can get a more detailed "drill down" view on any individual appearing on the User List screen. This enables the operator to access that the individual's "user story" like that shown below, which shows the individual's attribute data, onsite activity and event logs (including historical visitation, purchase metrics and other activity). This individual user view allows the operator to quickly view and evaluate this information and take actions to enhance that individual's experience on the relevant website or mobile application.

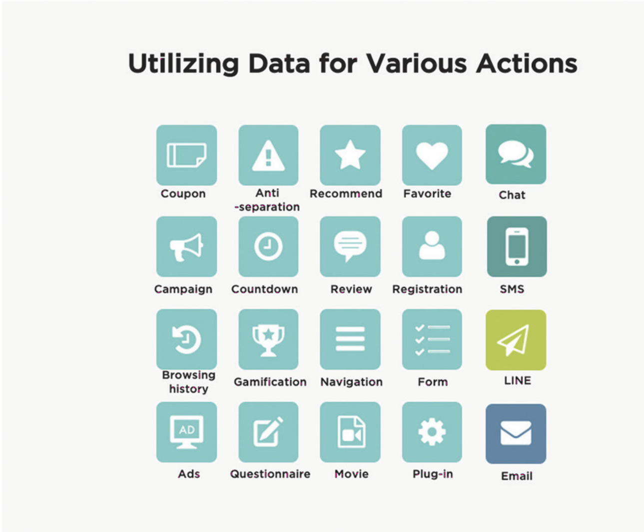


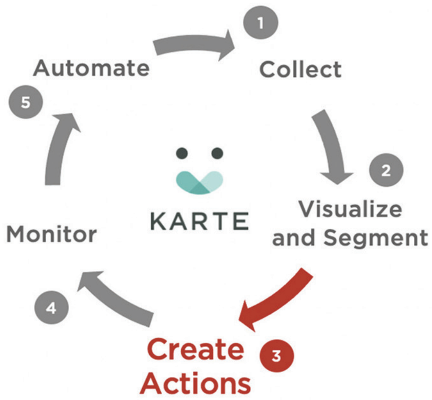
Our customizable User Dashboard enables website operators to visualize on one screen macro-level, statistical customer data together with micro-level data regarding an individual website visitor's or mobile application user's online activity to provide deeper insights about the organization's customers as a whole, specific groups of customers or individual customers. KARTE Suite's User Dashboard does not require the website operator to conduct additional data extraction or aggregation, and can be operated without having to use structured query language, or SQL, making it accessible to those without data analytics or other technical background or expertise. The website operators can use available templates to generate charts and graphs, or can create their own custom charts and graphs, which allow organizations to quickly and easily visualize their customer onsite activity and other relevant data at a variety of different levels and to derive actionable insights therefrom. These insights form the foundation for more timely, personalized and effective digital CX and marketing, which is ultimately executed through the wide range of KARTE Suite-enabled actions and experiences.

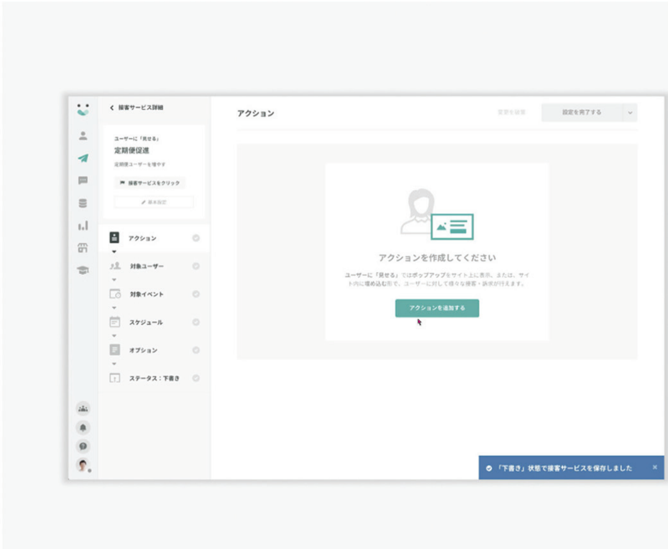


Creation of Personalized Customer Actions and Engagements. Organizations leverage the real-time data collection, visualization, segmentation and analysis enabled by our KARTE Suite to create timelier and better informed and personalized actions and engagements with their customers. These customer interactions, which can be used to prompt customer engagement and activity, take the form of communications, marketing messages and other actions and experiences implemented onsite or through other digital channels in real time and can be initiated by website operators on a one-off basis or automated to respond to specific events or behaviors. Common onsite actions and experiences can be tailored to a particular customer or group of customers. For example, website operators can implement customized website configurations, initiate pop-up messages delivering content or requesting information and send various types of push notifications, some examples of which are shown below.



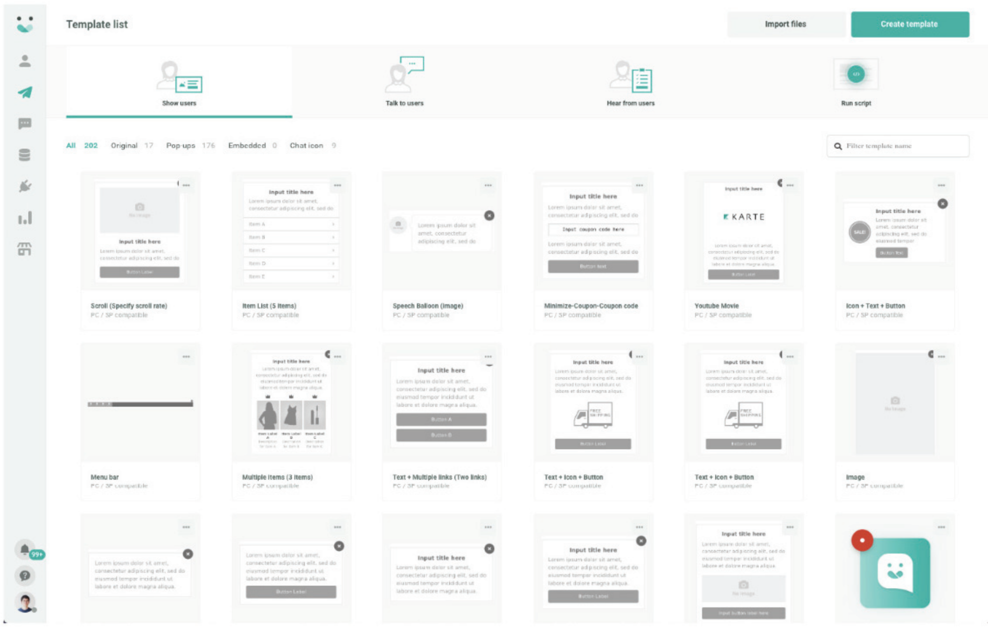






Actions can also be conducted through digital channels other than the customer's website or mobile application by using KARTE Suite's integration with other CRM, MA and marketing-related products solutions. For example, KARTE Suite enables organizations to communicate with their customers directly from KARTE through third-party channels that their customers use most, such as LINE, Facebook and other SNS, as well as through email, text and chat messaging.

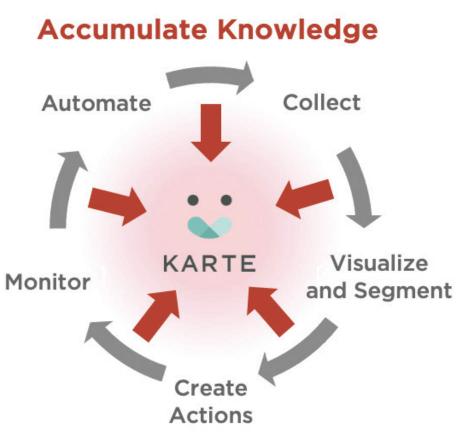
To make the design and implementation of actions and experiences easier for KARTE operators, we provide a wide range of pre-set action templates from which they may select and modify to meet their particular objective. All of the templates are fully customizable allowing customers to change the wording and the design. Organizations may also set event triggers (e.g., three website visits in the past week) for when an action is implemented so that they can engage with their customers in response to user behavior in real-time.



Our customers also have access to an "Action Store" where they can view and select actions and experiences that other KARTE users have found to be effective and our staff have collected. For example, one of the options available through the Action Store is a pop-up roulette game through which website visitors may win coupons or other items. The Action Store includes advice from our staff on effective ways to implement the action. For example, in the case of the roulette game, we make recommendations on how to set coupon expiration dates in order to maximize the potential that a recipient of the coupon will use it to make a purchase. Customers may implement actions and experiences shared in our Action Store at no cost.

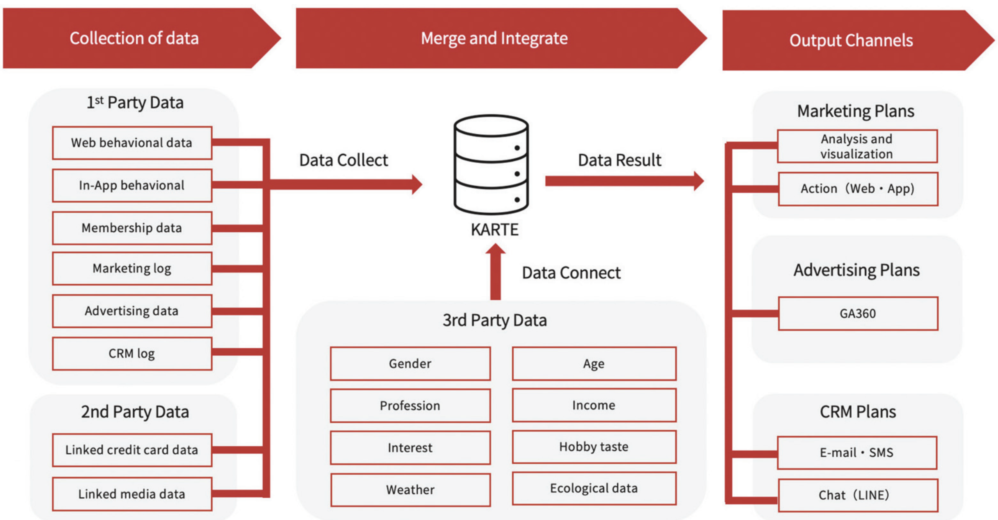
Monitoring and automation. KARTE Suite users are also able to quickly and easily gauge the effectiveness of different actions and experiences. For example, organizations can set up A/B tests for particular website configurations or pop-up message designs to determine which versions to implement for certain individual customers or customer segments. Upon confirmation that the actions they created contribute to better customer experience, those actions can be set to be automatically published or executed.

Accumulation of knowledge. Through the process described above, KARTE Suite users can continuously accumulate wide-ranging insight about their customers and their behavior, as well as the relative success or failure of the KARTE user's own actions taken based on such information. This enables the KARTE user to gauge the effectiveness of their digital CX strategy and make informed adjustments to further improve it in a cost-effective manner.



Other products and solutions

KARTE Datahub. KARTE Datahub is an add-on tool for our core solutions that enables KARTE (for Web) and KARTE for App users to expand the platform's functionality to integrate customer data that is not directly collected through KARTE. For example, an organization can use the tool to combine and integrate customer data separately maintained by the organization internally or in a third-party DMP, CRM or MA tool with the onsite data captured through KARTE (for Web) or KARTE for App, to generate an even richer, more fulsome profile of its individual customers and customer base. This enables the organization to create even more timely, informed and personalized customer engagements. The extensibility provided by KARTE Datahub also enables organizations to centralize disparate and fragmented customer data into one location to create an integrated, easily searchable and more functional database.



KARTE Live. KARTE Live is an add-on tool that we launched in April 2019 that allows KARTE (for Web) users to see their customer's actions on the organization's website from the customer's perspective. This live, first-person point-of-view functionality enables, for example, an organization's customer support team to understand precisely and intuitively where and what content on a particular screen page a website visitor may be encountering difficulties with.

KARTE Blocks. KARTE Blocks is an add-on tool that we launched a closed beta version of in July 2020 that allows customers to manage their website as a combination of separated blocks based on embedded tags, which allows them to edit, update and personalize their website by flexibly arranging blocks without any code. Customers can evaluate the performance of each block for continuous improvement and conduct A/B testing. This Block Management System allows customers to organize complicated sites intuitively and create a more personalized experience for visitors of their websites. We believe that KARTE Blocks further supports our customers in their transition to "no-code" tools that are easy to implement and operate for their webpage management.

Illustrative use cases

The following are illustrative examples of how our customers here used KARTE Suite to improve their CX and digital marketing strategy:

- Company A operates an employment website where job seekers are matched with ideal job openings based on their work experience. Company A offers assistance filling out employment experience on the website, however, because such assistance is time consuming, it cannot offer it to everybody. Company A uses KARTE (for Web) to identify a segment of its website visitors that should be offered this service based on their onsite behavior, including those visitors that viewed a certain number of job descriptions, spent a certain amount of time viewing information on the website or left the website to visit another website after reaching the employment experience input screen. Company A then creates a pop-up notification informing only those within that segment of the employment experience input assistance offered by the company.

- Company B, an e-commerce company that developed and launched a mobile application to accompany its web presence, wanted to promote use of its mobile application, particularly among its heavy users. Company B deployed both KARTE (for Web) and KARTE for App to determine which of its frequent website visitors accessed the website through a smartphone browser and had also not yet downloaded the company's mobile application. Through KARTE (for Web)'s action function, Company B sends that segment of website visitors with a timely introduction to and special information about the company's mobile application and successfully increased the number of its mobile application downloads among its frequent customers.

- Company C, an apparel platform offering multiple brands sought to improve its brand loyalty and increase its purchase conversion rates by introducing and promoting a system whereby customers could demonstrate their support for a particular brand by "following" it. Company C uses KARTE (for Web) to identify those customers that had never used the "follow" function and to send to any such customer a pop-up message with a quick user guide explaining the "follow" system when they search for the same brand more than three times on the company's website. Through this, Company C increased the utilization rate for its brand "follow" system.

Customers

We provide our KARTE Suite to a broad range of organizations in terms of type, size and industry, including SMEs and large corporates in the apparel, real estate, IT/software, human resources/staffing, general e-commerce, financial services and cosmetic industries, almost all of which are located in Japan. Our customer base has grown from approximately 109 customers as of September 30, 2016 to 474 customers as of September 30, 2020 (in each case, excluding customers using free trial versions of KARTE (for Web) and KARTE for App). For the month of September 2020, our top ten customers accounted for 21.5% of our MRR.

The table below shows a breakdown of our total subscriptions by industry as of September 30, 2020, and lists our representative customers in each category:

Industry	Percentage of Total Subscriptions	Representative Customers
E-commerce (apparel)	13.2%	ZOZO, Inc., New Balance Japan, Inc., GOLDWIN INC. and nano • universe Co., Ltd.
Human resources/staffing	12.7%	en-japan inc. and BizReach, Inc.
E-commerce (other)	11.4%	MonotaRO Co., Ltd., AEON.com Co., Ltd. and Palsystem Consumers' Cooperative Union
Financial services	8.7%	Mizuho Bank, Ltd., THE BANK OF FUKUOKA, LTD. and LIFENET INSURANCE COMPANY
Owned media	7.9%	NIKKAN KOGYO SHIMBUN, LTD. and Ajinomoto Co., Inc.
Real estate	6.9%	MITSUBISHI ESTATE CO., LTD., LIFULL Co., Ltd. and Open House Co., Ltd.
E-commerce (beauty/cosmetics)	5.9%	NIHON L'ORÉAL K.K. and KOSÉ Corporation
E-commerce (lifestyle)	4.7%	Mizuno Corporation and HIMARAYA Co., Ltd.
Others	28.6%	Recruit Co., Ltd., Volvo Car Japan Co., Ltd., Sony Network Communications Inc. and SmartHR, Inc.

Sales, Marketing and Customer Support

Our sales, marketing and customer success-related teams work together closely to demonstrate the value proposition offered by our KARTE Suite through marketing efforts, convert sales opportunities with prospective customers into new subscriptions, renew and expand subscriptions within existing customers, and otherwise cultivate customer relationships to further drive revenue growth. Our marketing also works to increase the general awareness of digital CX through CX community-oriented events. See "—CX Community" below.

Sales

We generate a large part of our sales directly through our revenue group. For the year ended September 30, 2020, 86.1% of our net sales were generated directly and the remaining 13.9% were generated through our distributor and reseller partner network. The revenue group is in charge of our sale process and consists of three functional teams – the deal generation team, the sales team and the account planning team. The deal generation team is focused on initiating the sale process for potential customers from sales leads. Our sales team is focused on both attracting new customers as well as renewing, and expanding the use of our products and solutions within, our existing customer base, and is comprised of an enterprise team focusing on large organizations and a midmarket team focusing on all other organizations. Our account planning team is in charge of customer success, focusing on renewing and expanding contracts with existing customers. For new customer acquisitions, our deal generation team seeks to capitalize on leads generated through a broad range of marketing programs and events and through users who download KARTE product teaser material from our website. Our sales team and our account planning team work together to drive subscription renewals, as well as upsell and cross-sell opportunities, within our existing customer base. Our sales team covers both existing and new customers, whereas our account planning team is focused on existing customers including helping customers maximize their utilization of KARTE Suite.

To date, much of our customer acquisitions have been generated through inbound inquiries and general marketing activities, which has enabled us to pursue an efficient sales strategy. As our organization gets larger and our existing customer base continues to expand, we intend to further grow and invest in our revenue group and initiatives to drive greater market penetration in Japan.

We also maintain a distributor and reseller partner network that provides us with additional sales leverage by sourcing new prospects, providing technical support to new and existing customers and otherwise promoting or selling our products. See "—Partner Ecosystem—Distribution Partners" below.

Marketing

Our marketing activities have two main purposes, which are branding and lead generation. For branding, we focus our efforts on increasing awareness of the CX market and KARTE generally. We use events like our CX DIVE conference or content marketing like XD or CX clip. For lead generation, we use online advertising to promote downloads of our KARTE product teaser materials from our website by individuals and organizations, as well as live online/offline events, such as our periodic “meet up” events to gather contacts with potential customers. Since March 2020, we have focused on webinars and large format online conferences, such as our KARTE Conference, as a substitute for traditional meetings and conferences due to the impacts of the COVID-19 pandemic. We seek to conduct marketing in a cost-disciplined manner within our marketing budget and with established targets for the desired effects of our marketing activities

Customer Support

Our Client CX team is involved with our customers throughout their subscription with us. We provide assistance with onboarding and training as well as technical and operational support to help our customers realize the full benefits and functionality offered by our KARTE Suite as quickly as possible. Our onboarding and training programs include a mix of virtual and in-person offerings. Since our products and solutions are quick to deploy and are relatively easy to use, the onboarding and training period for new users is usually short in duration and may last from a few days to up to several weeks, which we believe is significantly shorter than professional services engagements associated with traditional enterprise software products and solutions.

Our Client CX team interacts directly with existing customers to provide community-based education and promote the potential value of expanded use of our products and solutions within the customer’s organization. The Client CX team also works closely with our revenue group to drive renewals and upselling for additional use cases.

We also host “meet up” events for KARTE Suite users which allows attendees to hear about other users’ experience with KARTE Suite, updates to our platform in terms of new or enhanced products or functionality and to exchange information and ideas with members of our sales, marketing and Client CX teams as well as other KARTE Suite users. Following a KARTE User “meet up” event, we allow customers who attended to access presentation and other materials that were used for the event. Live “meet ups” have been suspended during the COVID-19 pandemic, and we have instead focused our efforts on webinars and large format online conferences, such as our KARTE Conference.

Product Development

In order to grow our business and remain competitive within our market, we are continuously developing new products and solutions and enhancing the usability, functionality, reliability, performance and flexibility of our existing products solutions to maximize the interconnection between our subscribers and their customers and the data being generated by such customers. Our product development team is responsible for the design, architecture, testing and quality of our platform and solutions. As a company, we prioritize product development and attempt to foster creativity and autonomy among our software engineers and other team members. As an example of recent product development efforts, in July 2020, we launched a closed beta version of KARTE Blocks, an add-on tool that allows users to manage their website as blocks based on embedded tags, permitting users to edit, update and personalize their website without any code and to organize complicated sites intuitively, and thereby to create a more personalized experience for their customers visiting the site.

Partner Ecosystem

Strategic Partners

In November 2019, we entered into a strategic partnership with Google pursuant to which Google International LLC purchased 1,420,900 shares of Class D preferred stock for ¥1,622,667,800, and we agreed to collaborate with Google to integrate GCP’s machine learning and artificial intelligence technology into our KARTE platform and to expand the cloud market in Japan. Through this strategic partnership, we expect to be able to provide businesses with a highly functional, highly scalable and secure cloud platform that will enable end-users to personalize and improve their CX.

In May 2020, we invested approximately ¥100 million in Emotion Tech Inc., or Emotion Tech, as part of a strategic partnership with Emotion Tech. Under our strategic partnership with Emotion Tech, we hope to integrate our KARTE Suite with Emotion Tech’s platform to measure customers’ emotional data, creating new insights about customers and providing new CX solutions to our corporate customers.

Data, Distribution and Consulting Partners

We have a number of other key data and distribution partners, including Google, salesforce.com, Inc. and Marketo, Inc., which provide us with access to their broad customer bases, as well as consulting partners, such as NRI digital and transcosmos, who market our KARTE Suite as part of their consulting and other services to their clients and provide further opportunities to expand our customer base.

Product Tie-ups

We also maintain mostly informal arrangements with developers and providers of software, tools or solutions that can be integrated with our KARTE Suite through APIs and other extension tools to provide broader and enhanced functionality to our products and solutions for the benefit of our customers. This includes expanding the sources of data that can be captured by and integrated into our KARTE Suite, and diversifying the channels through which our customers are able to engage with their website visitors and mobile application users. Key product partners include looker (which is now part of Google), salesforce.com, Marketo, shopify and SendGrid. Associations with our product partners demonstrate the extensible nature of our KARTE Suite and provide further opportunities to expand our customer base and website/mobile application deployments.

CX Community and Awareness

We engage in activities to expand awareness and to create a dialogue and community focused on CX through online and offline media and events. The primary purpose of these efforts is to spread the concept of CX among our existing and potential customers and share common values with them.

XD

In March 2018, we launched XD (pronounced "cross D"), an online media focusing on the "experience" between service providers and their customers. Through this media, we provide a range of information that will help our customers provide better experiences to their customers. The information we provide through XD includes interviews with our customers sharing tips for improved customer experience by using our KARTE platform, know-how to improve customer experience and surveys we conduct to obtain various views from end users as well as marketers. We also manage a free magazine, called XD Magazine, based on articles from online media such as XD.

CX DIVE

From time to time, we host large off-site events, which we call CX DIVE, to promote awareness of CX in the digital world. We invite special guests and representatives of our existing and potential customers to attend and experience and exchange views on digital CX.

Intellectual Property

Our success depends in part on our ability to protect our intellectual property and proprietary technologies. To protect our proprietary rights, we rely on a combination of intellectual property rights in Japan, including patents, trademarks, copyrights, trade secret laws, internal procedures and contractual provisions. We generally enter into confidentiality agreements with our employees, consultants, vendors and customers, and generally limit access to and distribution of our proprietary information. See "Risks Related to our Business and Industry—We may be unable to protect our intellectual property adequately" and "Risks Related to our Business and Industry—We may be subject to intellectual property claims, which could be costly to defend and require us to pay significant damages and limit our ability to use certain technologies in the future" for a discussion of risks related to our intellectual property.

Regulations

We are subject to various laws and regulations in Japan, where we currently primarily conduct our business, including requirements to obtain governmental approvals for conducting business and laws and regulations governing privacy, telecommunications businesses, commercial, intellectual property, consumer protection, labor relations, financial transactions, business taxation laws and internal controls. Below are summaries of key Japanese regulations applicable to our business.

Act on Protection of Personal Information

Appropriate protection of personal information is a key for our business because we, as an outsourced data processor, handle end user data which our customers of KARTE Suite, as data controllers, provide us. Use of our KARTE Suite involves the storage, transmission, processing, aggregation and analysis of end user data generated from actions on our customers' websites and mobile applications as well as actions on other Internet-based sites. Certain of our customers, for example, for KARTE Datahub, also provide us with other data regarding their customers or end users for aggregation and analysis generated offline. The Act on the Protection of Personal Information is a legislation generally governing protection of personal information in Japan. This Act provides a comprehensive set of personal information protection, which contains provisions imposing obligations on certain business operators, including our customers and us, which utilize or maintain databases containing personal information. Pursuant to this Act, such business operators are required to (i) specify and notify or publish the purpose of the use of the personal information, (ii) refrain from using the personal information beyond such purpose without obtaining the prior consent of the person to whom such information relates, except in cases permitted under this Act, (iii) refrain from providing the personal information to a third party without obtaining the prior consent of the person to whom such information relates, except in cases permitted under this Act, and (iv) take necessary and appropriate measures to securely manage and prevent leakage, damage, and loss of the personal information. With respect to exceptions described in (iii) above, data controllers, such as our customers, are permitted to provide personal data collected by them to outsourced data processors, such as us, to the extent necessary for achieving the purpose of the use of the personal information specified in (i) above, in which case the data controllers are required to oversee that we handle such personal data appropriately. We have a privacy policy and have established internal procedures to allow our customers to meet their oversight obligations as data controllers. Further, the Personal Information Protection Commission of Japan, or the Personal Information Protection Commission, the Ministry of Internal Affairs and Communications of Japan and others publish guidelines for personal information protection, and each entity handling personal information is subject to the guidelines that apply to it. For example, we are required to handle personal information in accordance with the "Guidelines of the Act on the Protection of Personal Information (General Rules)" published by the Personal Information Protection Commission.

If the Personal Information Protection Commission finds that a business operator violated certain requirements under this Act, the Commission may issue a recommendation to the business operator to suspend such violation or take other necessary action to rectify the violation. If the business operator did not take action pursuant to the said recommendation without a legitimate ground and the Commission recognizes an imminent serious infringement of an individual's rights and interests or, if a serious infringement is found and there is a need to take urgent action, the Commission may order the business operator to take action pursuant to the said recommendation or suspend such violation or take other necessary action to rectify the violation, as the case may be. Noncompliance with the order issued by the Commission to take the necessary action will subject the ordered entity to criminal sanctions.

In addition, an amendment to this Act, or the Amendment, was promulgated in June 2020 and the Amendment will come into effect as of the date specified in a cabinet order, within a period not exceeding two years from the date of the promulgation of the Amendment. The Amendment is mainly intended to, among others, enhance data subjects' rights, tighten obligations to be imposed on business operators, and introduce new rules concerning the use of data. The Amendment includes, among others, an introduction of the concept of "individual-related information" (*kojin kanren jouho*), which is defined as the information concerning a living individual that does not fall under any of the categories of personal information, pseudonymised information (*kamei kako jouho*) or anonymously processed information (*tokumei kako jouho*). The individual-related information includes cookies or IP addresses, by which such individual is not readily identifiable. According to the Amendment, when a business operator handling individual-related information provides individual-related information to a third party and expects that the third party receives and utilizes such information as personal data by identifying the individuals using other available data, such business operator must generally confirm, among others, that the data subjects have consented to the third party's receiving their individual-related information as personal data.

Information Security and Privacy

As a general policy we do not automatically collect or store personally identifying information, as defined under the Act on the Protection of Personal Information, of our customers or their customers. However, subscribers to our products and solutions, as data controllers, are permitted to provide data about their customers, including personally identifying information that is collected by them to data processors, such as us. To the extent we received such information, we are committed to keeping it secure, and we maintain multiple information security certifications including the globally recognized ISO 27001 standard for Information Security Management and ISO 27017 for Cloud Security. These certifications require ongoing independent validation of our compliance frameworks to provide our customers with confidence in choosing to use our products and solutions. We also have been granted the right to display the PrivacyMark, indicating that we take appropriate measures to protect personal information, from the Japan Institute for Promotion of Digital Economy and Community, or JIPDEC.

We are also committed to complying with privacy laws and regulations in Japan and maintain policies and procedures to protect personal and other sensitive data. For example, we require customers to affirm that they have privacy policies and related procedures in place and that they maintain such policies and procedures. We also require customers to represent that they understand that while certain information such as cookies or IP addresses may not be personal information *per se* under Japanese laws and regulations, such information may be considered personally identifying information when combined with other data.

In addition to receiving representations from our customers, we review their privacy policies and confirm that they inform the purpose for use of information that could become personally identifying. We conduct this review when we enter subscription agreements with new customers and when we renew subscription agreements with existing customers. If we discover an issue, we recommend the customer to take remedial measures. If, for any reason, the issue is not remedied to our satisfaction, we may choose to not enter into or to terminate our subscription agreement with such customer.

We also provide an option for those visiting our customers' websites or accessing their mobile applications to opt-out of data collection by our KARTE Suite. We request all customers to include information regarding this opt-out option, including a link to our website, in their privacy policies, which hare made available to their website visitors and mobile application users.

Competition

The market for cloud-based CX software that enables organizations to provide their customers with a dynamic, context-driven and personalized experience by leveraging truly real-time collection, segmentation, visualization and analysis of onsite customer behavior and other data, such as our KARTE Suite, is relatively new. Certain functionality offered by our platform, however, does overlap with that delivered by existing tools and solutions, which can be characterized as CRM, MA, Marketing Suite and customer service/support, and may be offered by competitors as enterprise software, cloud-based tools or both. For example, companies such as Adobe, Hubspot and salesforce.com, Inc. offer CRM and MA or Marketing Suite software. Similarly, Zendesk offers customer support services and Optimizely offers conversion optimization and personalization services.

We believe the principal competitive factor for us is KARTE Suite's truly real-time functionality that allows users to collect, analyze and act upon real-time customer data as it is being generated through real-time and personalized actions and experiences onsite, as well as offsite. Most existing products and solutions, such as those described above, deal only with historical data (which could include current data on a delayed basis) and do not enable users to engage in such a range of functionality in a one-stop platform like our KARTE Suite.

Other competitive factors within our industry are ease and speed of platform deployment and use, ability to integrate with third-party tools and applications, operating systems, and applications, user interface, analytical and statistical capabilities, performance and scalability, the quality of data security infrastructure, the quality and reliability of customer service and support, total cost of ownership, return on investment and brand recognition. We believe we compete favorably across these factors. However, some of our competitors and potential competitors may be able to respond more quickly to new or emerging technologies and changes in customer requirements, for example by devoting greater resources to the development, promotion and sale of their products than we do. Moreover, because our market is relatively new and still evolving, it is possible that new entrants, especially those with substantial resources, more efficient operating models, more rapid technology and content development cycles or lower marketing costs, could introduce new products and services that disrupt our market and better address the needs of our customers and potential customers.

Employees

As of September 30, 2020, we had 190 full-time employees, of which 67 employees focused on product development, including software engineers and designers, 108 focused on business side, including sales and marketing, and 15 focused on management and operations. During the fiscal year ended September 30, 2020, we also had an average of 24 temporary or part-time employees. None of our employees is represented by a labor union, and we consider our labor relations with our employees to be good.

Facilities

We lease approximately 2,100 square meters of office space at our corporate headquarters in Ginza, Tokyo. While we believe our facilities are sufficient and suitable for the operations of our business today and the immediate future, we may need to further expand our existing facilities as we further increase our headcount.

Legal Proceedings

We are not involved in any litigation or other legal proceedings that would individually or in the aggregate be expected to have a material adverse effect on our results of operations or our financial condition.

MANAGEMENT

Our articles of incorporation provide for a board of directors consisting of no more than ten members and provide for no more than five corporate auditors. All directors and corporate auditors are elected by our shareholders at a general meeting of shareholders. The term of office for directors expires at the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ended within one year after their election, and the term of office for corporate auditors expires at the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ended within four years after their election, but directors and corporate auditors may serve any number of consecutive terms.

Our board of directors has the ultimate responsibility for the administration of our affairs. Our board of directors elects one or more Representative Directors from among its members. Each of the Representative Directors has the authority to represent us in the conduct of our affairs. Our board of directors may also elect, from among its members, by its resolution a President, along with one or more Vice Presidents.

Under the Companies Act and our articles of incorporation, we may exempt, by resolution of the board of directors, our directors and corporate auditors from liabilities to us arising in connection with their failure to execute their duties in good faith and without gross negligence, within the limits stipulated by applicable laws and regulations. In addition, our articles of incorporation provide that we may enter into a liability limitation agreement with each director (other than executive directors) and corporate auditor, which limits the maximum amount of their liability to us arising in connection with a failure to execute their duties in good faith and without gross negligence to the amount stipulated by applicable laws and regulations. We have entered into a liability limitation agreement with each outside director and outside corporate auditor which limits the maximum amount of their liability to the amount stipulated by applicable laws and regulations.

Our corporate auditors are not required to be certified public accountants. Our corporate auditors may not at the same time be directors, managers or any other type of employee of us or any of our subsidiaries, or accounting advisors or corporate executive officers of our subsidiaries. In addition, at least one-half of our corporate auditors must be outside corporate auditors who satisfy the requirement under the Companies Act, and at least one of our corporate auditors must be a full-time corporate auditor. Each corporate auditor has a statutory duty to supervise the administration by the directors of our affairs, to examine the financial statements and business reports to be submitted by a Representative Director at general meetings of our shareholders and to report their opinions thereon to the shareholders. They are obligated to participate in meetings of the board of directors and, if necessary, to express their opinion at such meetings, but are not entitled to vote.

The corporate auditors form the board of corporate auditors. The board of corporate auditors has a statutory duty to prepare and submit an audit report to the board of directors each year. A corporate auditor may note his/her opinion in the audit report if the opinion is different from the opinion expressed in the audit report issued by the board of corporate auditors. The board of corporate auditors must establish the audit principles, the method of examination by the corporate auditors of our affairs and financial position and any other matters relating to the performance of the corporate auditors' duties.

We have also established a Management Committee, comprised of a Representative Director, directors (other than outside directors), executive officers and full-time corporate auditor. The Management Committee deliberates on important matters related to business execution.

In addition, under the Securities Listing Regulations of the Tokyo Stock Exchange, listed companies in Japan are required to have at least one independent officer. Such independent officer is required to be an outside director or outside corporate auditor (as defined in the Companies Act) who is an outside officer (as defined in the Ordinance for Enforcement of the Companies Act of Japan (Act No. 12 of 2006) and unlikely to have conflicts of interest with shareholders of the relevant company. As of the date of this offering circular we have three independent officers.

We are required to appoint and have appointed an independent auditor, who has the statutory duties of auditing the financial statements to be submitted to the shareholders by a director and preparing its audit report thereon. KPMG AZSA LLC currently acts as our independent auditor.

Directors and Corporate Auditors

The names and titles of our directors and corporate auditors as of the date of this offering circular are as follows:

Name	Title	Director or Corporate Auditor Since
Kenta Kurahashi	Representative Director and Chief Executive Officer	October 2011
Naoki Shibayama	Director and Chief Product Officer	April 2013
Keitaro Takayanagi	Director	December 2018
Masao Hirano(1)	Outside Director	March 2019
Keiji Goto	Corporate Auditor	December 2019
Akihito Nakamachi(2)	Outside Corporate Auditor	August 2018
Kenji Yamanami(2)	Outside Corporate Auditor	December 2018

Notes:

(1) Mr. Hirano satisfies the requirements for outside directors under the Companies Act.

(2) Messrs. Nakamachi and Yamanami satisfy the requirements for outside corporate auditors under the Companies Act.

Kenta Kurahashi is one of the two founding members of PLAID and currently serves as Representative Director and Chief Executive Officer (CEO) of PLAID. He started his career at Rakuten, Inc. in April 2005. In October 2011, he founded PLAID and became Representative Director and CEO.

Naoki Shibayama is one of the two founding members of PLAID and currently serves as Director and Chief Product Officer (CPO) of PLAID. Before joining PLAID in April 2013 as Director and Chief Technology Officer (CTO), he was solely selected for MITOU Program in 2009, a project sponsored by the Information-technology Promotion Agency, Japan to discover and develop young talents who can play a key role in next-generation IT markets, and also worked at S-cubism inc.

Keitaro Takayanagi has served as Director of PLAID since December 2018. He started his career at Rakuten, Inc. in April 2005 and joined Agile Media Network Inc. in November 2008. He once became Outside Director of PLAID in October 2011, Director of Agile Media Network Inc. in March 2013 and Vice President of Agile Media Network Inc. in March 2014. He ceased to be Director of PLAID in April 2016 and again became Director of PLAID in December 2018.

Masao Hirano has served as Outside Director of PLAID since March 2019. He started his career at JGC CORPORATION in April 1980 and joined McKinsey & Company, Inc. in November 1987 and became Partner in July 1993 and Director and Head of Japan Branch in July 1998. In November 2007, he became Managing Director and Co-head of Carlyle Japan LLC. He currently serves as Representative Director of M&I Co., Ltd., Outside Director of LITALICO Inc., Dexerials Corporation and Uzabase, Inc. and Professor at Waseda University Research Institute of the Faculty of Commerce.

Keiji Goto has served as Corporate Auditor of PLAID since December 2019. He started his career at Rakuten Inc. in April 2005 and joined Study-On, Inc. in July 2007 and S-cubism inc. in July 2008. He then joined SMS Co. LTD. in July 2012 and returned to S-cubism inc. in January 2014. He joined PLAID in January of 2015.

Akihito Nakamachi has served Outside Corporate Auditor since August 2018. He started his career as an attorney-at-law at Mori Sogo Law Offices (the predecessor the current Mori Hamada & Matsumoto). He joined Wilson Sonsini Goodrich & Rosati P.C. in October 1999 and moved to Kirkland & Ellis LLP in October 2003. He joined Anderson Mori & Tomotsune in July 2009 and became Partner. Since April 2016, he has also served as Project Professor at the Graduate School of Science, Technology and Innovation, Kobe University.

Kenji Yamanami has served as Outside Corporate Auditor since December 2018. He began his career in April 1997 with the Ministry of International Trade and Industry of Japan (the predecessor of the current Ministry of Economy, Trade and Industry of Japan). He joined McKinsey & Company, Inc. in September 2006 and moved on to Rakuten, Inc. in September 2009. He became Chief Legal Officer of Buy.com (the predecessor of the current Rakuten Commerce LLC) in October 2012. He also previously served as Senior Vice President at Rakuten USA Inc.

Executive Officers

The name of our chief executive officer and names and titles of our executive officers as of the date of this offering circular are as follows:

Name	Title	Held Title Since
Kenta Kurahashi	Chief Executive Officer	October 2011
Naoki Shibayama	Chief Product Officer	February 2019
Yuki Makino	Chief Technology Officer	April 2018
Kentaro Muto	Chief Financial Officer	October 2018
Hiroyuki Shimizu	Executive Officer	April 2018
Keitaro Takayanagi	Executive Officer	December 2018

Executive Compensation

The aggregate compensation we paid to our directors (including outside directors) and corporate auditors (including an outside corporate auditor) during the fiscal year ended September 30, 2020 was ¥83,506 thousand and ¥17,250 thousand, respectively.

Stock Acquisition Rights

We have granted to certain of our directors, corporate auditors, executive officers and employees stock acquisition rights (*shinkabu yoyakuken*), or SARs, to purchase shares of our common stock under the terms set forth below.

Resolution date	Number of underlying shares subject to grant[1]	Exercise price per share	Expiration of SARs
First Series Stock Acquisition Right (June 30, 2015)	552,000	¥ 33	June 30, 2025
Second Series Stock Acquisition Right (July 22, 2015)[2]	–	–	–
Third Series Stock Acquisition Right (February 23, 2018)	1,750,000	¥ 100	February 23, 2028
Fourth Series Stock Acquisition Right (January 11, 2019)	1,089,000	¥ 603	January 11, 2029
Fifth Series Stock Acquisition Right (March 19, 2019)	90,000	¥ 603	March 19, 2029
Sixth Series Stock Acquisition Right (August 11, 2020)	624,000	¥1,142	August 11, 2030

Notes:

(1) As adjusted through the date of this offering circular, including the 1,000-for-1 stock split which took effect on April 4, 2019 and decreases to the number of underlying shares subject to the SARs due to retirement or resignation of the holders of SARs, where applicable.

(2) The 2nd series SARs were granted to Femto Growth Capital LPS and JAPAN VENTURES I L.P. and were exercised by the holders on February 27, 2019.

The number of underlying shares and exercise price per share for these SARs are subject to adjustment in the event of a stock split or consolidation, or in our reasonable discretion in the event of a merger or corporate split. The exercise price of these SARs are subject to adjustment in the event of (i) a new issuance of shares or a disposal of treasury stock below market price, (ii) a stock split or consolidation, (iii) in our reasonable discretion, an event requiring adjustment such as, but not limited to, a decrease in our capital, merger or corporate split.

With respect to the exercise of the rights under each of the 1st, 3rd, 4th, 5th and 6th series SARs, (i) a SAR holder shall be a director, a corporate auditor (except for the 1st series SARs), an other corporate officer (except for the 1st series SARs), an employee or an outside partner of us or our subsidiaries at the time of exercise of the rights, except as determined otherwise by our board of directors; (ii) a SAR shall become exercisable upon the listing of any of our capital stock on an exchange in or outside Japan, except as determined otherwise by our board of directors; (iii) in the event that a SAR holder dies, inheritance of an SAR is not permitted except as determined otherwise by our board of directors; and (iv) a SAR cannot be exercised in less than one unit; and (v) other terms relating to the exercise of SARs shall be set forth in the stock acquisition right agreement entered into between the SAR holder and us.

Additionally, for each of the 1st, 3rd, 4th, 5th and 6th series SARs, we may acquire any unexercised SARs for no consideration in the event that (a) a SAR holder ceases to satisfy the conditions set forth above, in which case we may acquire such unexercised SARs in whole but not in part after the respective exercise period has expired or on a date that is separately determined by our board of directors or (b) a merger agreement in which we will be a non-surviving entity, an absorption-type corporate split agreement or an incorporation-type corporate split agreement in which we will be a splitting entity, or a share exchange (*kabushiki koukan*) or share transfer (*kabushiki iten*) agreement in which we will become a wholly-owned subsidiary is approved at our shareholder's meeting (or in the case that such approval is not required, otherwise approved by our board of directors), in which case we may acquire such unexercised SARs on a date that is separately determined by our board of directors.

Furthermore, for each of the 1st, 3rd, 4th, 5th and 6th series SARs, in the event of a merger in which we will be a non-surviving entity, an absorption-type corporate split, an incorporation-type corporate split, a share exchange (*kabushiki koukan*) or a share transfer (*kabushiki iten*) (collectively referred to as "reorganization"), then to the extent provided for in the relevant agreement or plan of reorganization, new SARs will be issued by the company specified in Article 236, paragraph (1), clause (viii), subclauses (a), (d) or (e) of the Companies Act in exchange for the SARs outstanding as of immediately prior to the effective date of the reorganization, which shall be cancelled, subject to certain conditions to replicate the contents of the cancelled SARs.

Share Ownership of Directors, Corporate Auditors and Executive Officers

The following table shows the number of shares of our common stock owned by our directors, corporate auditors and executive officers as of the date of this offering circular and the number of shares issuable upon the exercise of stock acquisition rights held by such individual as of such date:

Name	Number of shares held of record	Number of shares issuable upon exercise of stock acquisition rights
Kenta Kurahashi	11,715,000	–
Naoki Shibayama	7,816,000	–
Keitaro Takayanagi	100,000	171,000
Masao Hirano	–	10,000
Keiji Goto	–	66,000
Akihito Nakamachi	–	40,000
Kenji Yamanami	–	40,000
Yuki Makino	123,000	477,000
Kentaro Muto	–	171,000
Hiroyuki Shimizu	–	600,000

PRINCIPAL AND SELLING SHAREHOLDERS

The table below shows information about the ownership of shares of our common stock as of October 31, 2020, as appearing on our register of shareholders and as adjusted to give effect to the global offering, assuming the over-allotment option is exercised in full. Figures in parenthesis show the number and percentage ownership of shares of our common stock issuable to the shareholder upon the exercise of outstanding SARs held by such shareholder as of the date of this offering circular. The percentages of issued and outstanding shares have been calculated on a fully diluted basis assuming the issuance of a total of 4,105,000 shares issuable upon the exercise of outstanding SARs as of the date of this offering circular. Shareholders owning less than 0.2% of shares of our common stock, as well as holding SARs exercisable for less than 0.2% of shares of our common stock (if such shareholder also holds any outstanding SARs), as of October 31, 2020 on a fully diluted basis have been omitted.

				As adjusted for the global offering(3)	
Shareholder	**Number of shares held of record(1)**	**Percentage of issued and outstanding shares(1)(2)**	**Shares being sold in the global offering(3)**	**Number of shares held of record(1)**	**Percentage of issued and outstanding shares(1)(2)**
Kenta Kurahashi	11,715,000	29.65%	750,000	10,965,000	26.26%
Naoki Shibayama	7,816,000	19.78%	750,000	7,066,000	16.92%
JAPAN VENTURES I L.P.	6,280,000	15.89%	5,652,000	628,000	1.50%
Femto Growth Capital LPS	4,789,900	12.12%	3,831,000	958,900	2.30%
Google International LLC	1,420,900	3.60%	–	1,420,900	3.40%
Femto Growth Fund 2.0 LPS	1,098,200	2.78%	878,000	220,200	0.53%
Yuki Makino	600,000	1.52%		600,000	1.44%
	(477,000)	(1.21)%	–	(477,000)	(1.14)%
Hiroyuki Shimizu	600,000	1.52%		600,000	1.44%
	(600,000)	(1.52)%	–	(600,000)	(1.44)%
MITSUI & CO., LTD.	498,000	1.26%	99,000	399,000	0.96%
MSIVC2018V Venture Capital Investment Limited Partnership	498,000	1.26%	448,000	50,000	0.12%
T.Rowe Price Japan Fund	350,300	0.89%	–	350,300	0.84%
Masayuki Sakabe	282,000	0.71%		282,000	0.68%
	(159,000)	(0.40)%	–	(159,000)	(0.38)%
Kazuhiko Umemura	282,000	0.71%		282,000	0.68%
	(159,000)	(0.40)%	–	(159,000)	(0.38)%
Keitaro Takayanagi	271,000	0.69%		271,000	0.65%
	(171,000)	(0.43)%	–	(171,000)	(0.41)%
Kyohei Yamada	171,000	0.43%		171,000	0.41%
	(171,000)	(0.43)%	–	(171,000)	(0.41)%
Kentaro Muto	171,000	0.43%		171,000	0.41%
	(171,000)	(0.43)%	–	(171,000)	(0.41)%
SMBC Venture Capital No.4 Investment Limited Partnership	165,000	0.42%	148,000	17,000	0.04%
Naohiko Takemura	159,000	0.40%		159,000	0.38%
	(159,000)	(0.40)%	–	(159,000)	(0.38)%
Femto Startup LLP	144,600	0.37%	115,000	29,600	0.07%
Takehiko Kawakubo	142,000	0.36%		142,000	0.34%
	(142,000)	(0.36)%	–	(142,000)	(0.34)%
Hirofumi Tanahashi	100,000	0.25%		100,000	0.24%
	(100,000)	(0.25)%	–	(100,000)	(0.24)%
Mahiro Saka	95,000	0.24%		95,000	0.23%
	(95,000)	(0.24)%	–	(95,000)	(0.23)%
Shinobu Miyahara	86,000	0.22%		86,000	0.21%
	(86,000)	(0.22)%	–	(86,000)	(0.21)%
Mizuho Growth Fund No.2 Limited Partnership	82,000	0.21%	73,000	9,000	0.02%
Mitsubishi UFJ Capital VI, Limited Partnership	82,000	0.21%	73,000	9,000	0.02%

Notes:

(1) Figures in parenthesis show the number and percentage ownership of shares of our common stock issuable to the shareholder upon the exercise of outstanding SARs held by such shareholder as of the date of this offering circular.

(2) Calculated on a fully diluted basis assuming the issuance of a total of 4,105,000 shares issuable upon the exercise of outstanding SARs as of the date of this offering circular.

(3) Assuming the over-allotment option is exercised in full.

JAPANESE FOREIGN EXCHANGE AND CERTAIN OTHER REGULATIONS

Foreign Exchange Regulations

The following is a general summary of major Japanese foreign exchange controls regulations applicable to holders of shares of our common stock or voting rights thereunder who are "exchange non-residents" or "foreign investors," as described below. The statements regarding Japanese foreign exchange controls regulations set forth below are based on the laws and regulations in force and as interpreted by the Japanese authorities as of the date of this offering circular and are subject to subsequent changes in the applicable Japanese laws or interpretations thereof. This summary is not exhaustive of all possible foreign exchange controls considerations that may apply to a particular investor, and potential investors are advised to satisfy themselves as to the overall foreign exchange controls consequences of the acquisition, ownership and disposition of shares of our common stock or voting rights thereunder by consulting their own advisors.

The Foreign Exchange and Foreign Trade Act of Japan (Act No. 228 of 1949, as amended), or the FEFTA, and its related cabinet orders and ministerial ordinances, or collectively, the Foreign Exchange Regulations, govern certain aspects relating to the acquisition and holding of shares of our common stock and voting rights by "exchange non-residents" and by "foreign investors" (as these terms are defined below). In general, the Foreign Exchange Regulations currently in effect do not, however, affect transactions between exchange non-residents to purchase or sell shares of a Japanese listed corporation outside Japan using currencies other than Japanese yen.

"Exchange residents" are defined in the Foreign Exchange Regulations as:

(i) individuals who reside within Japan; or

(ii) corporations whose principal offices are located within Japan.

"Exchange non-residents" are defined in the Foreign Exchange Regulations as:

(i) individuals who do not reside in Japan; or

(ii) corporations whose principal offices are located outside Japan.

Generally, branches and other offices of non-resident corporations located within Japan are regarded as exchange residents. Conversely, branches and other offices of Japanese corporations located outside Japan are regarded as exchange non-residents.

"Foreign investors" are defined in the Foreign Exchange Regulations as:

(i) individuals who are exchange non-residents;

(ii) corporations or other entities organized under the laws of foreign countries or whose principal offices are located outside Japan;

(iii) corporations of which 50% or more of the total voting rights are held, directly or indirectly, by individuals and/or corporations falling within (i) and/or (ii) above;

(iv) partnerships under the Civil Code of Japan (Act No. 89 of 1896, as amended) established to invest in corporations, limited partnerships for investment under the Limited Partnership Act for Investment of Japan (Act No. 90 of 1998, as amended) or any other similar partnerships under the laws of foreign countries of which (a) 50% or more of the total contributions are made by individuals and/or corporations falling within (i), (ii) and/or (iii) above and/or (v) below or any other persons prescribed under the Foreign Exchange Regulations or (b) a majority of the general partners are individuals and/or corporations falling within (i), (ii) and/or (iii) above and/or (v) below or any other persons prescribed under the Foreign Exchange Regulations; or

(v) corporations or other entities, a majority of whose directors or other officers (or directors or other officers having the power of representation) are individuals who are exchange non-residents.

Acquisition of Shares

In general, the acquisition by an exchange non-resident of shares of capital stock of a Japanese corporation from an exchange resident requires post facto reporting by the exchange resident to the Minister of Finance of Japan, or the Minister of Finance, through the Bank of Japan. No such reporting requirement is imposed, however, if:

(i) the aggregate purchase price of the relevant shares is ¥100 million or less;

(ii) the acquisition is effected through any bank, financial instruments business operator or other entity prescribed by the Foreign Exchange Regulations acting as an agent or intermediary; or

(iii) the acquisition constitutes an "inward direct investment" described below.

Inward Direct Investment in Shares of Listed Corporations

On May 8, 2020, an amendment to the Foreign Exchange Regulations, or the Amendment, came into effect. By the full implementation of the Amendment on June 7, 2020, the requirements and procedures regarding the prior notifications of inward direct investment to the Minister of Finance and any other competent Ministers under the Foreign Exchange Regulations, as described below, were amended. After the full implementation of the Amendment on June 7, 2020, Japanese listed corporations are classified into the following categories:

(i) corporations engaged only in businesses other than certain businesses designated by the Foreign Exchange Regulations as Designated Businesses, or the Designated Businesses;

(ii) corporations engaged in the Designated Businesses other than Core Sector Designated Businesses as defined in (iii) below, or the Non-Core Sector Designated Businesses; and

(iii) corporations engaged in the Designated Businesses designated by the Foreign Exchange Regulations as core sector businesses, or the Core Sector Designated Businesses.

We currently engage in the package software business handling certain positioning information which is the Core Sector Designated Business and we are classified as category (iii) above.

Definition of Inward Direct Investment

If a foreign investor acquires shares or voting rights of a Japanese corporation that is listed on a Japanese stock exchange, such as the shares of our common stock, or that is traded on an over-the-counter market in Japan and, as a result of such acquisition, the foreign investor, in combination with any existing holdings, directly or indirectly holds 1% or more of the total number of issued shares or the total number of voting rights of the relevant corporation, such acquisition constitutes an "inward direct investment." In addition, an acquisition of the authority to exercise, either directly or through instructions, voting rights held by other shareholders that results in the foreign investor, in combination with any existing holdings, directly or indirectly holding 1% or more of the total number of voting rights of the relevant corporation constitutes an "inward direct investment."

In addition to the acquisitions of shares or voting rights described above, if a foreign investor (i) is granted the authority to exercise voting rights on behalf of other shareholders of the relevant corporation regarding certain matters controlling or having material influence on the management of such corporation such as the election or removal of directors or (ii) obtains consent from another foreign investor holding the voting rights of the relevant corporation to exercise the voting rights of such corporation held by such foreign investor jointly, and, in each case, as a result of these arrangements, the number of the voting rights directly or indirectly held by the foreign investor, including the total number of the voting rights subject to such authority, or the sum of the number of the voting rights directly or indirectly held by the foreign investor and such other foreign investors subject to such joint voting agreement, as the case may be, is 10% or more of the total number of voting rights of the relevant corporation, each such arrangement regarding voting rights (hereinafter referred to as a "voting arrangement") also constitutes an "inward direct investment."

Additionally, if a foreign investor directly or indirectly holds 1% or more of the total voting rights of a Japanese listed corporation and, at a general meeting of shareholders, consents to certain proposals having material influence on the management of such corporation such as (i) the election of such foreign investor or any of its related persons (as defined in the Foreign Exchange Regulations) as directors or corporate auditors of the relevant corporation or (ii) transfer or discontinuation of its business, such consent also constitutes an "inward direct investment."

Prior Notification Requirements regarding Inward Direct Investment

If a foreign investor intends to consummate an acquisition of shares or voting rights of a Japanese listed corporation that constitutes an "inward direct investment" as described above, in certain circumstances, such as where the foreign investor is in a country that is not listed on an exemption schedule in the Foreign Exchange Regulations, or where that Japanese corporation is engaged in the Designated Businesses, prior notification of the relevant inward direct investment must be filed with the Minister of Finance and any other competent Ministers.

However, if a foreign investor is seeking to acquire shares or voting rights of a Japanese listed corporation or the authority to exercise, either directly or through instructions, voting rights held by other shareholders and such acquisition would constitute an "inward direct investment," such foreign investor may be eligible for the exemptions, if certain conditions are met.

In the case of an acquisition of shares or voting rights or the authority to exercise, either directly or through instructions, voting rights of a Japanese listed corporation that is engaged in the Non-Core Sector Designated Businesses, the foreign investor may be exempted from the prior notification requirement, if such foreign investor complies with the following conditions, or the Exemption Conditions:

(i) the foreign investor or its related persons (as defined in the Foreign Exchange Regulations) will not become directors or corporate auditors of the relevant corporation;

(ii) the foreign investor will not make certain proposals (as prescribed in the Foreign Exchange Regulations) at the general meeting of shareholders, including transfer or discontinuation of the Designated Businesses of the relevant corporation: and

(iii) the foreign investor will not access non-public technical information in relation to the Designated Businesses of the relevant corporation, or take certain other actions that may lead to the leak of such non-public technical information (as prescribed in the Foreign Exchange Regulations).

In addition, in the case of an acquisition of shares or voting rights or the authority to exercise, directly or through instructions, voting rights of a Japanese listed corporation that is engaged in the Core Sector Designated Businesses, which are currently engaged by us as described above, the foreign investor may be exempted from the prior notification requirement, if, as a result of such acquisition, the foreign investor, in combination with any existing holdings, directly or indirectly holds less than 10% of the total number of issued shares or voting rights of the relevant corporation, and such foreign investor complies with the Exemption Conditions and the following additional conditions:

(i) the foreign investor will not attend, or not cause any persons designated by it to attend, meetings of the board of directors of the relevant corporation, or meetings of committees of the relevant corporation having authority to make important decisions, in respect of the Core Sector Designated Businesses of the relevant corporation; and

(ii) the foreign investor will not make, or not cause any persons designated by it to make, proposals to such board or committees or their members in writing or electronic form requesting any response or actions by certain deadlines in respect of the Core Sector Designated Businesses of the relevant corporation.

Notwithstanding the above, if a foreign investor falls under a category of disqualified investors designated by the Foreign Exchange Regulations (including (a) investors who have records of certain sanctions due to violations of the FEFTA and (b) certain investors that are state-owned enterprises or other related entities that are not otherwise accredited by the Minister of Finance), in no event may such foreign investor be eligible for the exemptions described above. On the other hand, if a foreign investor, excluding the disqualified investors described in the foregoing sentence, falls under a category of certain foreign financial institutions (as prescribed in the Foreign Exchange Regulations) and complies with the Exemption Conditions, such foreign investor may be eligible for the exemptions, even if the acquisition results in such foreign investor's direct or indirect holding of 10% or more of the total number of issued shares or voting rights of the corporation engaged in the Core Sector Designated Businesses.

In addition, if a foreign investor intends to make a voting arrangement with respect to a Japanese listed corporation engaged in the Designated Businesses or consents to a proposal at the general meeting of shareholders of such corporation, in each case, that constitutes an "inward direct investment" as described above, in certain circumstances, prior notification of the relevant inward direct investment must be filed with the Minister of Finance and any other competent Ministers. In such cases, the exemptions from the prior notification requirements described above may not be available, except for cases where the relevant voting arrangement is a joint voting agreement with other foreign investors to exercise voting rights regarding matters other than certain matters with respect to controlling or having a material influence on the management of the relevant corporation, such as the election or removal of directors.

Acquisitions of shares by foreign investors by way of stock split are not subject to the foregoing notification requirements.

Procedures for Prior Notification regarding Inward Direct Investment

If such prior notification is filed, the proposed inward direct investment may not be consummated until 30 days have passed from the date of filing during which time the Ministers will review the proposed inward direct investment, although this screening period may be shortened to 15 days by such Ministers if they no longer deem it necessary to review the proposed inward direct investment or may even be shortened to five business days, if the proposed inward direct investment is determined not to raise concerns from the perspective of national security or certain other factors. The Ministers may extend the screening period up to five months if they deem it necessary to continue to review the proposed inward direct investment and may recommend any modification or abandonment of the proposed inward direct investment and, if the foreign investor does not accept such recommendation, the Ministers may order the modification or abandonment of such inward direct investment. In addition, if the Ministers consider the proposed inward direct investment to be an inward direct investment that is likely to cause damage to the national security of Japan and, if a foreign investor (i) consummates such inward direct investment without filing the prior notification described above; (ii) consummates such inward direct investment before the expiration of the screening period described above; (iii) in connection with such inward direct investment, makes false statements in the prior notification described above; or (iv) does not follow the recommendation or order issued by the Ministers to modify or abandon such inward direct investment, the Ministers may order such foreign investor to divest of all or part of the shares acquired or take other measures.

Post Facto Reporting Requirements regarding Inward Direct Investment

A foreign investor who consummates an inward direct investment as described above through an acquisition of shares or voting rights or the authority to exercise, directly or through instructions, voting rights of a Japanese listed corporation that is engaged in the Designated Businesses, but is not subject to the prior notification requirements described above due to the exemptions from such prior notification requirements, in general, must file a report of the relevant inward direct investment with the Minister of Finance and any other competent Ministers having jurisdiction over such Japanese corporation within 45 days of the date when, as a result of such acquisition, the foreign investor (excluding, in the cases of (i) and (ii) below, a foreign investor who falls under a category of certain foreign financial institutions (as prescribed in the Foreign Exchange Regulations)), in combination with any existing holdings, directly or indirectly holds (i) 1% or more but less than 3% of the total number of issued shares or voting rights, for the first time, (ii) 3% or more but less than 10% of the total number of issued shares or voting rights, for the first time, or (iii) 10% or more of the total number of issued shares or voting rights. In addition, if a foreign investor consummates the inward direct investment described above through the acquisition of shares or voting rights or the authority to exercise, directly or through instructions, voting rights of a Japanese listed corporation that is not engaged in the Designated Businesses (which is, in general, not subject to the prior notification requirements described above) and, as a result of such inward direct investment, such foreign investor, in combination with any existing holdings, directly or indirectly holds 10% or more of shares or voting rights of the total number of issued shares or voting rights of the relevant corporation, such foreign investor, in general, must file a report of the relevant inward direct investment with the Minister of Finance and any other competent Ministers having jurisdiction over such Japanese corporation within 45 days of such inward direct investment.

Additionally, if a foreign investor consummates the inward direct investment described above through a voting arrangement with respect to a Japanese listed corporation that is not engaged in the Designated Businesses (which is, in general, not subject to the prior notification requirements described above), such foreign investor, in general, must file a report of the relevant inward direct investment with the Minister of Finance and any other competent Ministers having jurisdiction over such Japanese corporation within 45 days of such inward direct investment.

Acquisitions of shares by foreign investors by way of stock split are not subject to the foregoing reporting requirements.

Dividends and Proceeds of Sale

Under the Foreign Exchange Regulations, dividends paid on, and the proceeds from sales in Japan of, shares held by exchange non-residents may generally be converted into any foreign currency and repatriated abroad.

Reporting of Substantial Shareholding

The FIEA and its related regulations require any person who has become, beneficially and solely or jointly, a holder of more than 5% of the total issued shares of capital stock of a corporation listed on any Japanese stock exchange, or that is traded on an over-the-counter market in Japan to file a report concerning the shareholding with the Director-General of the competent Local Finance Bureau of the Ministry of Finance, in general, within five business days. With certain exceptions, a similar report must also be filed if the percentage of such holdings subsequently increases or decreases 1% or more, or if any change occurs in material matters set out in reports previously filed. For this purpose, shares issuable or transferable to such person upon his or her exchange of exchangeable securities, conversion of convertible securities or exercise of warrants or stock acquisition rights (including those incorporated in bonds with stock acquisition rights) are taken into account in determining both the number of shares held by the holder and the issuer's total issued shares of capital stock. These reports are required to be filed and made publicly available through the EDINET system, which is electronic disclosure system operated by the Financial Services Agency of Japan.

DESCRIPTION OF COMMON STOCK

Set forth below is information concerning the shares of our common stock, including brief summaries of the relevant provisions of our articles of incorporation, our share handling regulations and the Companies Act relating to joint stock corporations (*kabushiki kaisha*) and certain related law and legislation, each as currently in effect.

General

The table below shows our share capital as of the date of this offering circular:

Type of share capital	Authorized shares	Issued shares
Common stock	141,635,600	35,408,900

All issued shares of our common stock are fully-paid and non-assessable and generally transferable through the book-entry system as described below. The transfer agent for the shares of our common stock is Sumitomo Mitsui Trust Bank, Limited, located at 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, 100-8233, Japan. Our transfer agent maintains our register of shareholders.

The Japanese book-entry transfer system for listed shares of Japanese companies under the Act on Book-Entry of Company Bonds, Shares, etc. of Japan (Act No. 75 of 2001, as amended), or the Book-Entry Act, including regulations promulgated thereunder, will apply to the shares of our common stock. Under this system, shares of all Japanese companies listed on any Japanese stock exchange are dematerialized, and shareholders of listed shares must have accounts at account management institutions to hold their shares unless such shareholders have an account at JASDEC, the only institution that is designated by the relevant authorities as a clearing house under the Book-Entry Act. “Account management institutions” are financial instruments business operators (i.e., securities firms), banks, trust companies and certain other financial institutions that meet the requirements prescribed by the Book-Entry Act. Under the Book-Entry Act, transfer of the shares of our common stock is effected exclusively through entry in the records maintained by JASDEC and the account management institutions, and title to the shares passes to the transferee at the time when the transfer of the shares is recorded in the transferee’s account at an account management institution. The holder of an account at an account management institution is presumed to be the legal holder of the shares recorded in such account.

Under the Companies Act and the Book-Entry Act, in order to assert against us shareholders’ rights to which shareholders as of a given record date are entitled (such as the rights to vote at a general meeting of shareholders or receive dividends), a shareholder must have its name and address registered in our register of shareholders, except in limited circumstances. Under the central book-entry transfer system, such registration on the register of shareholders is made upon our receipt of necessary information from JASDEC through an all shareholders notice (*soukabunushi tsuchi*). See “—Record Date” below. On the other hand, in order to assert shareholders’ rights to which shareholders are entitled regardless of record dates, such as minority shareholders’ rights, including the right to propose a matter to be considered at a general meeting of shareholders but excluding shareholders’ rights to request us to purchase shares constituting less than a full unit (as described in “—Unit Share System”), upon a shareholder’s request, JASDEC shall issue to us a notice of certain information (*kobetsu kabunushi tsuchi*), which information includes the name and address of such shareholder. Under the Book-Entry Act, a shareholder must exercise its shareholder’s right within four weeks after the notice of certain information (*kobetsu kabunushi tsuchi*) above.

Non-resident shareholders are required to appoint a standing proxy in Japan or provide a mailing address in Japan. Each such shareholder must give notice of such standing proxy or mailing address to the relevant account management institution. Such notice will be forwarded to us through JASDEC. Japanese securities firms and commercial banks customarily act as standing proxies and provide related services for standard fees. Notices from us to non-resident shareholders are delivered to such standing proxies or mailing addresses.

Under the book-entry transfer system, when opening an account at an account management institution, a shareholder must enter into an agreement with the account management institution.

Distribution of Surplus

General

Under the Companies Act, distribution of cash or other assets by a joint stock corporation to its shareholders, including dividends, takes the form of distribution of Surplus (as defined in "—Restriction on Distribution of Surplus"). We are permitted to make distributions of Surplus to our shareholders any number of times per fiscal year, subject to certain limitations described in "—Restriction on Distribution of Surplus." Under the Companies Act, distributions of Surplus are, in principle, required to be authorized by resolution of a general meeting of shareholders. Distributions of Surplus are, however, permitted pursuant to a resolution adopted by the board of directors if:

(a) our articles of incorporation provide that the board of directors has the authority to decide to make distributions of Surplus;

(b) the normal term of office of each director terminates on or prior to the date of conclusion of the ordinary general meeting of shareholders relating to the last fiscal year ending within the period of one year from the election of such director; and

(c) our non-consolidated annual financial statements and certain documents for the latest fiscal year fairly present our assets and profit or loss, as required by ordinances of the Ministry of Justice of Japan, or the Ministry of Justice.

As of the date of this offering circular, the requirements described in (a) through (c) are met in respect of us.

Distributions of Surplus may be made in cash or in kind in proportion to the number of shares of our common stock held by each shareholder. A resolution adopted at a general meeting of shareholders or the board of directors authorizing a distribution of Surplus must specify the kind and aggregate book value of the assets to be distributed, the manner of allocation of such assets to shareholders, and the effective date of the distribution. If a distribution of Surplus is to be made in kind, we may, pursuant to a resolution adopted by the board of directors, grant to our shareholders a right to require us to make such distribution in cash instead of in kind. If no such right is granted to shareholders, the relevant distribution of Surplus must be approved by special resolution adopted at a general meeting of shareholders (see "—Voting Rights" with respect to a "special resolution").

Under our articles of incorporation, the record dates for year-end dividends and interim dividends are September 30 and March 31, respectively, in each year. In Japan, the "ex-dividend date" (the date from which purchasers of shares through Japanese stock exchanges will not be entitled to the dividends to be paid to registered shareholders as of any record date) and the record date for dividends precede the date of determination of the amount of the dividend to be paid. The ex-dividend date of the shares of our common stock is generally the business day immediately prior to the record date. Under our articles of incorporation, we are not obligated to pay any year-end dividend nor interim dividend that is paid in cash that has not been received by a shareholder after the lapse of three years from the commencement date of such distribution.

Restriction on Distribution of Surplus

In making a distribution of Surplus, we must set aside in our additional paid-in capital and/or legal reserve an amount equal to one-tenth of the amount of Surplus so distributed until the sum of such additional paid-in capital and legal reserve reaches one-quarter of our stated capital.

The amount of Surplus, or Surplus, at any given time must be calculated in accordance with the following formula:

$$A+B+C+D-(E+F+G)$$

In the above formula:

"A" = the total amount of other capital surplus and other retained earnings, each such amount being that appearing on our non-consolidated balance sheet as of the end of the last fiscal year

"B" = (if we have disposed of our treasury stock after the end of the last fiscal year) the amount of the consideration for such treasury stock received by us less the book value thereof

"C" = (if we have reduced our stated capital after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to additional paid-in capital or legal reserve (if any)

"D" = (if we have reduced our additional paid-in capital or legal reserve after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to stated capital (if any)

"E" = (if we have cancelled our treasury stock after the end of the last fiscal year) the book value of such treasury stock

"F" = (if we have distributed Surplus to our shareholders after the end of the last fiscal year) the total book value of the Surplus so distributed

"G" = certain other amounts set forth in ordinances of the Ministry of Justice, including the following:

- if we have reduced Surplus and increased our stated capital, additional paid-in capital or legal reserve after the end of the last fiscal year, the amount of such reduction; and
- if we have distributed Surplus to shareholders after the end of the last fiscal year, the amount set aside in our additional paid-in capital or legal reserve, if any, as required by ordinances of the Ministry of Justice.

The aggregate book value of Surplus distributed by us may not exceed a prescribed distributable amount, or the Distributable Amount, as calculated on the effective date of such distribution. The Distributable Amount at any given time shall be the amount of Surplus less the aggregate of (a) the book value of our treasury stock, (b) the amount of consideration for any of our treasury stock disposed of by us after the end of the last fiscal year and (c) certain other amounts set forth in ordinances of the Ministry of Justice, including all or a certain part of the amount by which one-half of our goodwill and deferred assets exceeds, if at all, the total of the stated capital, additional paid-in capital and legal reserve, each such amount being the amount in our non-consolidated balance sheet as of the end of the last fiscal year, as calculated in accordance with ordinances of the Ministry of Justice.

If we have become, at our option, a company with respect to which its consolidated balance sheet should also be considered in the calculation of the Distributable Amount (*renketsu haito kisei tekiyo kaisha*), we shall further deduct from the amount of Surplus the excess amount, if any, of (x) the total amount of the shareholders' equity appearing on our non-consolidated balance sheet as of the end of the last fiscal year and certain other amounts set forth in ordinances of the Ministry of Justice over (y) the total amount of the shareholders' equity and certain other amounts set forth in ordinances of the Ministry of Justice appearing on our consolidated balance sheet as of the end of the last fiscal year.

If we have prepared interim financial statements as described below, and if such interim financial statements have been approved by the board of directors or (if so required by the Companies Act) by a general meeting of shareholders, then the Distributable Amount must be adjusted to take into account the amount of profit or loss, and the amount of consideration for any of our treasury stock disposed of by us, during the period in respect of which such interim financial statements have been prepared. We may prepare interim financial statements consisting of a balance sheet as of any date subsequent to the end of the last fiscal year and a statement of income for the period from the first day of the subject fiscal year to the date of such balance sheet. Interim financial statements so prepared by us must be audited by the corporate auditors and the independent auditor, the detail of which is prescribed by ordinances of the Ministry of Justice.

Capital and Reserves

We may generally reduce our additional paid-in capital or legal reserve by resolution of a general meeting of shareholders and, if so decided by the same resolution, may account for the whole or any part of the amount of such reduction as stated capital. On the other hand, we may generally reduce our stated capital by special resolution of a general meeting of shareholders and, if so decided by the same resolution, may account for the whole or any part of the amount of such reduction as additional paid-in capital. In addition, we may reduce our Surplus and increase either (i) stated capital or (ii) additional paid-in capital and/or legal reserve by the same amount, in either case by resolution of a general meeting of shareholders.

Stock Splits

We may at any time split shares of our common stock into a greater number of shares of our common stock by resolution of the board of directors. When a stock split is to be made, so long as our only class of outstanding stock is our common stock, we may increase the number of authorized shares by the same ratio as that of such stock split by amending our articles of incorporation, which amendment may be effected by resolution of the board of directors without the approval of shareholders. Before a stock split, we must give public notice of the stock split, specifying the record date therefor, not less than two weeks prior to such record date.

Unit Share System

Our articles of incorporation provide that one hundred (100) shares each constitute one unit of shares. Under the unit share system, shareholders have, at general meetings of shareholders, one voting right for each unit of shares held by them, and shares constituting less than a full unit carry no voting rights. Our articles of incorporation provide that the holders of shares constituting less than a full unit do not have shareholder rights, except for those specified in the Companies Act or ordinances of the Ministry of Justice, which include rights (i) to receive dividends, (ii) to receive cash or other assets in the case of a consolidation of shares or stock split, share exchange (*kabushiki-koukan*) or share transfer (*kabushiki-iten*), or merger or, (iii) to be allotted rights to subscribe for new shares and stock acquisition rights for free when such rights are granted to shareholders. Holders of shares constituting less than a full unit may at any time request that we purchase such shares constituting less than a full unit at their market price in accordance with our share handling regulations. Such request must be made through an account management institution and JASDEC pursuant to the rules set by JASDEC without going through the notification procedure required for the exercise of shareholders' rights to which shareholders are entitled regardless of record dates as described in "—General." The board of directors may reduce the number of shares constituting one unit or cease to use the unit share system by amendments to the articles of incorporation without shareholders' approval even though amendments to the articles of incorporation generally require a special resolution adopted at the general meeting of shareholders.

Under the book-entry transfer system described in "—General," shares constituting less than a full unit are transferable. Under the rules of the Japanese stock exchanges, however, shares constituting less than a full unit do not comprise a trading unit, except in limited circumstances, and accordingly may not be sold on the Japanese stock exchanges.

General Meetings of Shareholders

Under our articles of incorporation, the ordinary general meeting of shareholders is held in December of each year. In addition, we may hold an extraordinary general meeting of shareholders whenever necessary. Notice of a general meeting of shareholders stating the place, the time and the purpose thereof must be given to each shareholder having voting rights (or, in the case of a non-resident shareholder, to its standing proxy or mailing address in Japan) at least two weeks prior to the date set for the meeting. The record date for an ordinary general meeting of shareholders is September 30 of each year.

Any shareholder holding at least three hundred (300) voting rights or 1% of the total number of voting rights for six (6) months or longer may propose a matter to be considered at a general meeting of shareholders by submitting a request to a representative director at least eight weeks prior to the date of such meeting. Any of the minimum percentages, time periods and number of voting rights necessary for exercising the minority shareholder rights described above may be decreased or shortened if our articles of incorporation so provide. Our articles of incorporation currently do not include any such provisions.

Voting Rights

Shareholders of our common stock have one voting right for each unit of shares held by them.

Except as otherwise provided by law or in our articles of incorporation, a majority of the voting rights held by the shareholders present at a general meeting of shareholders is necessary to adopt a resolution at the meeting. Our articles of incorporation provide that the quorum for election of directors and corporate auditors is one-third of the total number of voting rights and that the election of directors and corporate auditors must be approved by a majority of the voting rights present at the meeting. Our shareholders are not entitled to cumulative voting in the election of directors. A shareholder may exercise its voting rights in writing or through a proxy, provided that the proxy is also a holder of our shares having voting rights at such meeting.

The Companies Act provides that certain important matters shall be approved by "special resolution" of a general meeting of shareholders. Under our articles of incorporation, the quorum for a special resolution is one-third of the total number of voting rights, and the approval of not less than two-thirds of the voting rights held by the shareholders present at the meeting is required for adopting a special resolution. Such important matters include:

1. any amendment to our articles of incorporation (except for such amendments that may be made without the approval of shareholders under the Companies Act, such as (i) an increase of the number of authorized shares by the same ratio as that of a stock split, (ii) a reduction of the number of shares per unit of shares and (iii) termination of the unit share system);

2. dismissal of any of corporate auditors;

3. our dissolution, merger or consolidation requiring shareholders' approval;

4. establishment of a parent and wholly-owned subsidiary relationship by way of a share transfer (*kabushiki-iten*) or share exchange (*kabushiki-koukan)* requiring shareholders' approval;

5. transfer of the whole or a substantial part of our business;

6. transfer of the whole or a part of the shares or equity interests in its subsidiary which meets certain requirements;

7. taking over of the whole of the business of another company requiring shareholders' approval;

8. our corporate split requiring shareholders' approval;

9. consolidation of shares of our common stock;

10. acquisition of shares of our common stock from a specific shareholder other than our subsidiary;

11. distribution of Surplus in kind (except when shareholders are granted the right to require that such distribution be made in cash instead of in kind);

12. issuance of new shares or sale of existing shares held by us as treasury stock to persons other than the shareholders at a "specially favorable" price; and

13. issuance of stock acquisition rights (including those incorporated in bonds with stock acquisition rights) to persons other than the shareholders under "specially favorable" conditions.

Liquidation Rights

In the event of our liquidation, the assets remaining after payment of all debts, liquidation expenses, and taxes will be distributed among holders of shares of our common stock in proportion to the respective numbers of shares held by them.

Issue of Additional Shares and Pre-emptive Rights

Holders of our common stock have no pre-emptive rights. Authorized but unissued shares of our common stock may be issued, or existing shares held by us as treasury stock may be sold, at such times and upon such terms as the board of directors determines subject to the limitations as to the issuance of new shares or sale of existing shares held by us as treasury stock at a "specially favorable" price mentioned in "—Voting Rights." The board of directors may, however, determine that shareholders shall be given subscription rights regarding a particular issue of new shares or sale of existing shares held by us as treasury stock, in which case such rights must be given on uniform terms to all shareholders as of a record date not less than two weeks' prior to which public notice must be given. Each of the shareholders to whom such rights are given must also be given at least two weeks' prior notice of the date on which such rights expire.

In the case of an issuance of shares (including a sale of existing shares held by us as treasury stock) or stock acquisition rights whereby any subscriber (including its subsidiaries and other companies set forth in ordinances of the Ministry of Justice) will hold more than 50% of the voting rights of all shareholders, and if shareholders who hold one-tenth or more of the voting rights of all shareholders dissent from the issuance of shares or stock acquisition rights, the approval by a resolution of a general meeting of shareholders is generally required before the payment date pursuant to the Companies Act. In addition, in the case of an issuance of shares (including a sale of existing shares held by us as treasury stock) or stock acquisition rights by a listed company by way of an allotment to a third party which would dilute the outstanding voting shares by 25% or more or change the controlling shareholder, in addition to a resolution of the board of directors, shareholders' approval, through a resolution of a general meeting of shareholders or otherwise, or an affirmative opinion by a person independent of the management is generally required pursuant to the rules of the Japanese stock exchanges.

Stock Acquisition Rights

We may issue stock acquisition rights (*shinkabu yoyakuken*). Holders of stock acquisition rights are entitled to acquire shares from us upon payment of the applicable exercise price and subject to other terms and conditions. We may also issue bonds with stock acquisition rights (*shinkabu yoyakuken-tsuki shasai*). The issuance of stock acquisition rights and bonds with stock acquisition rights may be authorized by the board of directors unless it is made under "specially favorable" conditions, as described in "—Voting Rights."

Record Date

As mentioned above, September 30 is the record date for the payment of year-end dividends and the determination of shareholders entitled to vote at the ordinary general meeting of shareholders. March 31 is the record date for the payment of interim dividends. In addition, by resolution of the board of directors and after giving at least two weeks' prior public notice, we may at any time set a record date in order to determine the shareholders who are entitled to certain rights pertaining to our stock.

Under the Book-Entry Act, JASDEC is required to give us notice of the names and addresses of our shareholders, the numbers of shares held by them and other relevant information as of such record date.

Acquisition of Our Common Stock

We may acquire shares of our common stock:

1. by way of purchase on any Japanese stock exchange on which the shares of our common stock are listed or by way of tender offer (in either case pursuant to a resolution adopted by the board of directors);

2. from a specific shareholder other than any of our subsidiaries (pursuant to a special resolution adopted at a general meeting of shareholders); or

3. from any of our subsidiaries, (pursuant to a resolution adopted by the board of directors).

In the case of 2. above, any other shareholder may make a request to us that such shareholder be included as a seller in the proposed purchase unless the purchase price or any other consideration to be received by the relevant specific shareholder will not exceed higher of (a) the last trading price of the shares on the relevant stock exchange on the day immediately preceding the date on which the resolution mentioned in 2. above is adopted (or, if there is no trading in the shares on the stock exchange or the stock exchange is not open on such day, the price at which the shares are first traded on such stock exchange thereafter) and (b) if the shares are subject to a tender offer on the day immediately preceding the date on which the resolution mentioned in 2. above is adopted, the price of the shares under the agreement with respect to such tender offer on such day.

The total amount of the purchase price of shares of our common stock may not exceed the Distributable Amount as described in "—Distribution of Surplus—Restriction on Distribution of Surplus."

We may hold the shares of our common stock acquired and may generally dispose of or cancel such shares by resolution of the board of directors.

Request by a Controlling Shareholder to Sell All Shares

A shareholder holding, directly or indirectly, 90% (or such other percentage above 90% as may be provided in our articles of incorporation) or more of voting rights has the right to request, subject to approval by the board of directors, that the other shareholders and (if the controlling shareholder so determines) all holders of stock acquisition rights (in each case other than us and, if the controlling shareholder so determines, the controlling shareholder's wholly-owned subsidiaries) sell to the controlling shareholder all shares and all stock acquisition rights, as the case may be, held by them (*kabushikitou uriwatashi seikyu*). If the approval is granted by resolution of the board of directors, we will be required to give public notice thereof to all holders and registered pledgees of shares (and stock acquisition rights, as the case may be) not later than 20 days prior to the effective date of such sales, as proposed by the controlling shareholder.

Disposal of Shares of Our Common Stock Held by Shareholders Whose Location is Unknown

We are not required to continue to send notices to a shareholder if notices sent by us to such shareholder fail to arrive for five consecutive years or more at such shareholder's address registered in our register of shareholders or otherwise notified to us.

In the above case, if the relevant shareholder also fails to receive dividends on the shares continuously for five years or more at such shareholder's address registered in our register of shareholders or otherwise notified to us, then we may in general dispose of such shares at their then market price and hold or deposit the proceeds of such disposition on behalf of the relevant shareholder.

TAXATION

The following summaries are not intended to be a complete analysis of the tax consequences under Japanese or United States law as a result of the acquisition, ownership and sale of shares of our common stock by investors. Potential investors should consult their own tax advisors on the tax consequences of acquisition, ownership, sale, and other relevant circumstances concerning the shares of our common stock, including specifically the applicable tax consequences under Japanese or United States law, the law of the jurisdiction of their country of residence (if different) and any tax treaty between Japan and their country of residence.

Japanese Taxation

The following is a general summary of major Japanese tax consequences (limited to national tax) to holders of shares of our common stock who are non-residents of Japan or non-Japanese corporations having no permanent establishment in Japan, which are referred to as "non-resident holders" in this section. The statements regarding Japanese taxation set forth below are based on the laws and treaties in force and as interpreted by the Japanese tax authorities as of the date of this offering circular and are subject to changes in the applicable Japanese laws or tax treaties, conventions or agreements, or interpretations thereof, occurring after that date. This summary is not exhaustive of all possible tax considerations that may apply to a particular investor, and potential investors are advised to satisfy themselves as to the overall tax consequences of the acquisition, ownership and disposition of shares of our common stock, including specifically the tax consequences under Japanese law, the laws of the jurisdiction of which they are resident, and any tax treaty, convention or agreement between Japan and their country of residence, by consulting their own tax advisers.

Generally, a non-resident holder of shares of our common stock is subject to Japanese income tax collected by way of withholding on dividends (meaning distributions from our retained earnings for Companies Act purposes) paid by us, and such tax will be withheld prior to payment of dividends. Stock splits are, in general, not a taxable event. In the absence of any applicable tax treaty, convention or agreement reducing the maximum rate of Japanese withholding tax or allowing exemption from Japanese withholding tax, the rate of Japanese withholding tax applicable to dividends paid by Japanese corporations on their shares of stock to non-resident holders is generally 20.42% on or before December 31, 2037 and 20% thereafter under Japanese tax law. However, with respect to dividends paid on listed shares issued by a Japanese corporation (such as shares of our common stock, following the listing of our common stock on the Tokyo Stock Exchange as planned) to non-resident holders, other than any individual shareholder who holds 3% or more of the total number of shares issued by the relevant Japanese corporation, the aforementioned 20.42% or 20% withholding tax rate is reduced to (i) 15.315% for dividends to be paid on or before December 31, 2037 and (ii) 15% for dividends to be paid thereafter. Due to the imposition of a special additional withholding tax (2.1% of the original withholding tax amount) to secure funds for reconstruction from the Great East Japan Earthquake, the original withholding tax rate of 15% and 20%, as applicable, has been effectively increased, respectively, to 15.315% and 20.42%, during the period beginning on January 1, 2013 and ending on December 31, 2037.

If distributions were made from our capital surplus, rather than retained earnings, for Companies Act purposes, the portion of such distributions in excess of the amount corresponding to a pro rata portion of return of capital as determined under Japanese tax laws would be deemed dividends for Japanese tax purposes, while the rest would be treated as return of capital for Japanese tax purposes. The deemed dividend portion, if any, would generally be subject to the same tax treatment as dividends as described above, and the return of capital portion would generally be treated as proceeds derived from the sale of shares of our common stock and subject to the same tax treatment as sale of shares of our common stock as described below. Distributions made in consideration of repurchase by us of our own shares or in connection with certain reorganization transactions will be in general treated substantially in the same manner.

As of the date of this offering circular, Japan has income tax treaties in force whereby the above-mentioned withholding tax rate is reduced, generally, to 15% for portfolio investors, with, among others, Canada, Denmark, Finland, Germany, Iceland, Ireland, Italy, Luxembourg, New Zealand, Norway, Singapore and Spain, while the income tax treaties with, among others, Australia, Austria, Belgium, France, Hong Kong, the Netherlands, Portugal, Sweden, Switzerland, the United Kingdom and the United States generally reduce the withholding tax rate to 10% for portfolio investors. In addition, under the income tax treaty between the United States and Japan, dividends paid to pension funds which are qualified United States residents eligible to enjoy treaty benefits are exempt from Japanese income taxation by way of withholding or otherwise unless such dividends are derived from the carrying on of a business, directly or indirectly, by such pension funds. Under the income tax treaties with Austria, Belgium, Denmark, Iceland, the Netherlands, Switzerland and the United

Kingdom, similar treatment will be applied to dividends paid to pension funds. Under Japanese tax law, any reduced maximum rate applicable under a tax treaty will be available when such maximum rate is below the rate otherwise applicable under Japanese tax law as referred to above with respect to the dividends to be paid by us on shares of our common stock. A non-resident holder of shares of our common stock who is entitled, under any applicable tax treaty, to a reduced rate of Japanese withholding tax, or exemption therefrom, as the case may be, is, in principle, required to submit an Application Form for Income Tax Convention Regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Dividends (together with any other required forms and documents) in advance, through the withholding agent, to the relevant tax authority before payment of dividends. A standing proxy for a non-resident holder may provide such application service. In this regard, a certain simplified special filing procedure is available for non-resident holders to claim treaty benefits of exemption from or reduction of Japanese withholding tax, by submitting a Special Application Form for Income Tax Convention Regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Dividends of Listed Stocks (together with any other required forms and documents). Non-resident holders who are entitled, under any applicable tax treaty, to a reduced rate of Japanese withholding tax below the rate otherwise applicable under Japanese tax law, or exemption therefrom, as the case may be, but fail to submit the required application in advance may nevertheless be entitled to claim a refund from the relevant Japanese tax authority of withholding taxes withheld in excess of the rate under an applicable tax treaty (if such non-resident holders are entitled to a reduced treaty rate under the applicable tax treaty) or the full amount of tax withheld (if such non-resident holders are entitled to an exemption under the applicable tax treaty), as the case may be, by complying with a certain subsequent filing procedure. We do not assume any responsibility to ensure withholding at the reduced rate, or exemption therefrom, for non-resident holders who would be so eligible under an applicable tax treaty but where the required procedures as stated above are not followed.

Gains derived from the sale or other disposition of shares of our common stock outside Japan by a non-resident holder, who is a portfolio investor, are not, in general, subject to Japanese income tax or corporation tax.

Japanese inheritance and gift taxes, at progressive rates, may be payable by an individual who has acquired shares of our common stock from another individual as a legatee, heir or donee, even if none of the acquiring individual, the decedent or the donor is a Japanese resident.

Potential investors should consult with their own tax advisers regarding the Japanese tax consequences of the ownership and disposition of shares of our common stock in light of their particular situations.

U.S. Federal Income Tax Considerations

The following is a general description of U.S. federal income tax consequences to the U.S. Holders described below of owning and disposing of shares of our common stock acquired in the global offering, but it does not purport to be a comprehensive description of all tax considerations that may be relevant to a particular person's decision to acquire our shares. This discussion applies only to a U.S. Holder that holds our shares as capital assets for U.S. federal income tax purposes. In addition, it does not describe all of the tax consequences that may be relevant in light of a U.S. Holder's particular circumstances, including alternative minimum tax or Medicare contribution tax consequences, and tax consequences applicable to U.S. Holders subject to special rules, such as:

- certain financial institutions;
- dealers or traders in securities that use a mark-to-market method of tax accounting;
- persons holding our shares as part of a straddle, wash sale, conversion transaction or integrated transaction or persons entering into a constructive sale with respect to our shares;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- entities classified as partnerships for U.S. federal income tax purposes and investors therein;
- tax-exempt entities, "individual retirement accounts" or "Roth IRAs";
- persons that own or are deemed to own ten percent or more of our shares by vote or value; or
- persons holding our shares in connection with a trade or business conducted outside of the United States.

If an entity that is classified as a partnership for U.S. federal income tax purposes owns our shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships owning our shares and partners in such partnerships should consult their tax advisers as to the particular U.S. federal income tax consequences of owning and disposing of our shares.

This discussion is based on the Internal Revenue Code of 1986, as amended, or the Code, administrative pronouncements, judicial decisions, final, temporary and proposed Treasury regulations, and the income tax treaty between the United States and Japan (the "Treaty"), all as of the date hereof, any of which is subject to change, possibly with retroactive effect. This discussion does not address any federal taxes other than income tax, or any state, local or non-U.S. taxes.

For purposes of this discussion, a "U.S. Holder" is a person that for U.S. federal income tax purposes is a beneficial owner of our shares and is:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

U.S. Holders should consult their tax advisers concerning the U.S. federal, state, local and non-U.S. tax consequences of owning and disposing of our shares in their particular circumstances.

Except as described under "—Passive Foreign Investment Company Rules" below, this discussion assumes that we are not, and will not become, a passive foreign investment company, or a PFIC, for any taxable year.

Taxation of Distributions

Distributions paid on our shares, other than certain pro rata distributions of our shares, will be treated as dividends to the extent paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Because we do not maintain calculations of our earnings and profits under U.S. federal income tax principles, it is expected that distributions generally will be reported to U.S. Holders as dividends. Subject to applicable limitations, dividends paid to certain non-corporate U.S. Holders may be taxable at a preferential rate.

A dividend will be included in a U.S. Holder's income on the date of receipt. The amount of any dividend income paid in yen will be the U.S. dollar value thereof calculated by reference to the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder should not be required to recognize foreign currency gain or loss in respect of the yen received. A U.S. Holder may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of receipt.

Dividends will be treated as foreign-source income, will not be eligible for the dividends-received deduction generally available to U.S. corporations under the Code, and will include any amounts withheld therefrom in respect of Japanese taxes (as described in "—Japanese Taxation" above). Subject to applicable limitations, Japanese income taxes withheld from dividends on our shares at a rate not exceeding any applicable Treaty rate will be creditable against the U.S. Holder's U.S. federal income tax liability. Japanese taxes withheld in excess of any rate applicable under the Treaty will not be eligible for credit against a U.S. Holder's federal income tax liability. The rules governing foreign tax credits are complex, and U.S. Holders should consult their tax advisers regarding the creditability of Japanese taxes in their particular circumstances. In lieu of claiming a foreign tax credit, U.S. Holders may elect to deduct Japanese taxes withheld from dividends in computing their taxable income, subject to applicable limitations. An election to deduct foreign taxes instead of claiming foreign tax credits applies to all foreign taxes paid or accrued in the relevant taxable year.

Sale or Other Taxable Disposition

Gain or loss realized on the sale or other taxable disposition of our shares will be capital gain or loss, and will be long-term capital gain or loss if the U.S. Holder owned the shares for more than one year. The amount of the gain or loss will equal the difference between the amount realized on the disposition and the U.S. Holder's tax basis in the shares disposed of, in each case as determined in U.S. dollars. This gain or loss will generally be U.S.-source gain or loss for foreign tax credit purposes. Long-term capital gains of non-corporate U.S. Holders are taxed at a preferential rate. The deductibility of capital losses is subject to limitations.

Passive Foreign Investment Company Rules

In general, a non-U.S. corporation is a PFIC for any taxable year in which (i) 75% or more of its gross income consists of passive income or (ii) 50% or more of the value of its assets (generally determined on an average quarterly basis) consists of assets that produce, or are held for the production of, passive income. For purposes of the above calculations, a non-U.S. corporation that owns, directly or indirectly, at least 25% by value of the shares of another corporation is treated as if it held its proportionate share of the assets of the other corporation and received directly its proportionate share of the income of the other corporation. Passive income generally includes dividends, interest, rents, royalties and certain investment gains. Cash is a passive asset for these purposes. Goodwill is an active asset to the extent attributable to business activities that produce active income.

Based on the expected composition of our income and assets and the value of our assets, including goodwill, which is based on the expected price of our shares in this offering, we do not expect to be a PFIC for our current taxable year. However, our PFIC status for the current or any future taxable year is an annual factual determination that cannot be made until after the end of each such year. Specifically, our PFIC status for any taxable year will depend on the composition of our income and assets and the value of our assets from time to time (including the value of our goodwill, which may be determined, in large part, by reference to our market capitalization, which could be volatile). Since we will hold a substantial amount of cash following the offering, the risk that we will be a PFIC for any taxable year will increase if our market capitalization declines. Accordingly, there can be no assurance that we will not be a PFIC for our current taxable year or any future taxable year.

In general, if we are a PFIC for any taxable year during which a U.S. Holder owns our shares, gain recognized by a U.S. Holder on a sale or other disposition (including certain pledges) of our shares will be allocated ratably over the U.S. Holder's holding period for such shares. The amounts allocated to the taxable year of the sale or disposition and to any year before we became a PFIC will be taxed as ordinary income. The amount allocated to each other taxable year will be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, for that taxable year, and an interest charge will be imposed on the tax on such amount. Furthermore, to the extent that distributions received by a U.S. Holder in any year on our shares exceed 125% of the average of the annual distributions on the shares received during the preceding three years or the U.S. Holder's holding period, whichever is shorter, such distributions will be subject to taxation in the same manner.

If we are a PFIC for any taxable year during which a U.S. Holder owns our shares, we will generally continue to be treated as a PFIC with respect to the U.S. Holder for all succeeding years during which the U.S. Holder owns the shares, even if we cease to meet the threshold requirements for PFIC status. If we are a PFIC for any taxable year but cease to be PFIC for subsequent years, U.S. Holders should consult their tax advisers regarding the advisability of making a "deemed sale" election that would allow them to eliminate the continuing PFIC status under certain circumstances.

Alternatively, if we are a PFIC for any taxable year a U.S. Holder may be able to make a mark-to-market election with respect to our shares (but not with respect to shares of any lower-tier PFIC we may own), which would result in tax treatment different from the general tax treatment described in the preceding two paragraphs.

If we are a PFIC (or are treated as a PFIC with respect to a U.S. Holder) for a taxable year in which we pay a dividend or the preceding taxable year, the preferential tax rates described above on dividends paid to certain non-corporate U.S. Holders will not apply.

If a U.S. Holder owns our shares during any taxable year in which we are a PFIC, the U.S. Holder generally will be required to file annual reports with respect to us, generally with the U.S. Holder's federal income tax return for that year. U.S. Holders should consult their tax advisers regarding our PFIC status for any taxable year and the potential application of the PFIC rules to us.

Information Reporting and Backup Withholding

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting, and may be subject to backup withholding, unless (i) the U.S. Holder is a corporation or other exempt recipient or (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle it to a refund, provided that the required information is timely furnished to the Internal Revenue Service.

Certain U.S. Holders who are individuals (and certain specified entities) may be required to report information relating to their ownership of our shares, or non-U.S. accounts through which our shares are held. U.S. Holders should consult their tax advisers regarding their reporting obligations with respect to their ownership and disposition of our shares.

TRANSFER RESTRICTIONS

Because of the following restrictions, investors are advised to consult legal counsel prior to making any reoffering, resale, pledge or transfer of the international shares.

The international offering is being made in accordance with Rule 144A and Regulation S under the Securities Act. The international shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any U.S. state or other jurisdiction and, accordingly, may not be offered, sold, pledged or otherwise transferred within the United States except pursuant to an exemption from the registration requirements under the Securities Act and applicable U.S. state securities laws. Terms used in this section have the same meaning as defined in Rule 144A or Regulation S.

Shares Offered in Reliance on Rule 144A

Each purchaser of the international shares offered hereby in reliance on Rule 144A, or the Rule 144A shares, will be deemed to have represented and agreed as follows:

1) the purchaser (A) is a QIB, (B) is aware that the sale of the shares to it is being made in reliance on Rule 144A, and (C) is acquiring the shares for its own account or for the account of a QIB, as the case may be;

2) the purchaser understands that the Rule 144A shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any U.S. state or other jurisdiction and may not be reoffered, resold, pledged or otherwise transferred, except (A) (i) to a person whom the purchaser and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S, or (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) and (B) in accordance with all applicable securities laws of the states of the United States; and

3) the purchaser will not deposit or cause to be deposited shares into any unrestricted depositary receipt facility established or maintained by a depositary bank relating to the shares, unless or until the shares are no longer deemed restricted securities within the meaning of Rule 144(a)(3) under the Securities Act.

No representation is made as to the availability of the exemption provided by Rule 144 for resales of any shares.

Shares Offered in Reliance on Regulation S

Each purchaser of international shares offered hereby in reliance on Regulation S, or the Regulation S shares, will be deemed to have represented and agreed as follows:

1) the purchaser is acquiring such Regulation S shares in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S; and

2) the purchaser understands that such Regulation S shares have not been and will not be registered under the Securities Act and, until 40 days after the closing of the international offering, may not be reoffered, resold, pledged or transferred within the United States (as defined in Regulation S) except pursuant to an exemption from registration under the Securities Act.

CLEARANCE AND SETTLEMENT

JASDEC

The central book-entry transfer system of shares of Japanese listed companies under the Book-Entry Act will apply to shares of our common stock. Under this system, any transfer of shares is effected through entry in the records maintained by JASDEC and the account management institutions. See "Description of Common Stock—General."

Euroclear and Clearstream

Book-entry interests in shares may be held through Euroclear Bank SA/NV, or Euroclear, or Clearstream Banking S.A., or Clearstream, and, if so, the relevant purchasers must deliver their shares to the nominee in Japan for the relevant clearing system which will hold the shares in JASDEC. Settlement for the purchasers of the shares will be made only through accounts of participating institutions having a clearing account with JASDEC.

The aggregate holdings of book-entry interests in the shares in Euroclear and Clearstream will be reflected in the book-entry accounts for each institution. Euroclear or Clearstream, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book-entry interest in the shares, will be responsible for establishing and maintaining accounts for their respective participants and clients having interests in the book-entry interests in the shares.

Fees

We will not impose any fees in respect of the shares except in certain extraordinary cases. However, holders of book-entry interest in our shares through Euroclear and Clearstream may incur fees normally payable for the maintenance and operation of accounts in Euroclear or Clearstream. In addition, a Japanese securities firm or commercial bank acting as standing proxy will charge certain standard fees. See "Description of Common Stock—General."

Settlement Procedures — Secondary Market Trading

Secondary market sales of book-entry interests in our shares held through Euroclear or Clearstream to purchasers of book-entry interests in the shares through Euroclear and Clearstream will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream. Any transfer of interests in our shares out of Euroclear and Clearstream will be effected in accordance with the rules of Euroclear or Clearstream, as applicable, and the Book-Entry Act, the rules of JASDEC and our share handling regulations. Secondary market sales and transfers of shares held outside of Euroclear and Clearstream will also be conducted in accordance with our share handling regulations, the Book-Entry Act, any applicable rules of JASDEC and the rules of the Tokyo Stock Exchange applicable to listed securities.

Settlement of transactions concerning shares listed on any stock exchange in Japan will normally be effected on the third trading day from and including the transaction date. Settlement in Japan is made through JASDEC as described above.

Daily Price Fluctuation Limits under the Rules of the Tokyo Stock Exchange

Share prices on the Tokyo Stock Exchange are determined on a real-time basis by the equilibrium between bids and offers. The Tokyo Stock Exchange sets daily price limits, which limit the maximum range of fluctuation within a single trading day. Daily price limits are set according to the previous day's closing price or special quote. Although transactions may continue at the upward and downward limit price if the limit price is reached on a particular trading day, no transactions may take place outside these limits. Consequently, an investor wishing to sell at a price above or below the relevant daily limit may not be able to sell his or her shares at such price on a particular trading day, or at all.

OFFERING AND SALE

Under the terms and subject to the conditions set forth in the international purchase agreement dated the date of this offering circular, among us, the international selling shareholders named therein and the international managers named below, for whom Merrill Lynch International and Mizuho International plc are acting as the international representatives, the international managers have severally, and not jointly, agreed to purchase, and we and the international selling shareholders have agreed to sell to the several international managers, the respective number of international shares set forth opposite the names of such international managers below at the purchase price of ¥1,480 per international share:

Name of international manager	Number of international shares
Merrill Lynch International	6,326,900
Mizuho International plc	5,389,600
Total	11,716,500

Mizuho Securities Co., Ltd. and BofA Securities Japan Co., Ltd. are acting as the joint global coordinators in connection with the global offering.

Subject to certain conditions, the international shares will initially be offered at the offer price set forth on the cover page of this offering circular. After the initial offering of the international shares, the offer price and other selling terms may from time to time be varied by the joint global coordinators.

The aggregate difference between the offer price and the purchase price will be distributed among the international managers in the manner agreed to by them. No other selling concession, management commission or underwriting commission will be payable by us or the international selling shareholders with respect to the international offering.

The international managers are entitled to be released and discharged from their obligations under, and to terminate, the international purchase agreement in certain circumstances. If an international manager defaults, depending on the circumstances, the international purchase agreement provides that the purchase commitments of the non-defaulting international managers may be increased or the international purchase agreement may be terminated. The international managers are offering the international shares subject to their receipt and acceptance of the international shares from the international selling shareholders and subject to prior sale. The international purchase agreement provides that the obligations of the several international managers to pay for and accept delivery of the international shares offered by this offering circular are subject to the approval of certain legal matters by the counsels to the international managers and to certain other conditions. The international managers reserve the right to withdraw, cancel or modify offers and to reject orders in whole or in part.

The international purchase agreement provides that we and the international selling shareholders, severally and not jointly, will indemnify the international managers and their respective selling agents, affiliates and controlling persons against certain liabilities in connection with the offer and sale of the international shares, and will contribute to payments the international managers and their respective selling agents, affiliates and controlling persons may be required to make in respect of those liabilities.

The international shares are being (i) offered by the international managers in offshore transactions outside of the United States and Japan in reliance on Regulation S and (ii) placed inside the United States through U.S. selling agents of the international managers to "qualified institutional buyers," as defined in Rule 144A, in reliance on Rule 144A.

We have also entered into Japanese underwriting agreements as of the date of this offering circular with certain domestic selling shareholders and Japanese underwriters, for whom Mizuho Securities Co., Ltd. and BofA Securities Japan Co., Ltd. are acting as Japanese joint lead managers, providing for the concurrent offering and sale of 2,622,500 shares of our common stock in connection with the Japanese offering, including 281,400 newly issued shares and 2,341,100 existing shares to be sold by the domestic selling shareholders in the Japanese offering.

The offer price for the international offering and the offer price for the Japanese offering are identical. The respective closings of the international offering pursuant to the international purchase agreement and the Japanese offering pursuant to the Japanese underwriting agreements are conditional on one another, unless the international representatives on behalf of the international managers or the Japanese joint lead managers on behalf of the Japanese underwriters, respectively, elect to waive such closing condition, in each case after consultation with the joint global coordinators.

For the purposes of the Japanese offering, we have filed a securities registration statement and have prepared a Japanese language prospectus pursuant to the FIEA, in each case including any amendments thereto.

Over-allotment Option

In order to facilitate the Japanese offering, Mizuho Securities Co., Ltd., as representative of the Japanese underwriters, may over-allot in the Japanese offering up to an additional 716,000 shares of our common stock. In connection with the offering of the over-allotted shares, Mizuho Securities Co., Ltd., as representative of the Japanese underwriters, has entered into a share borrowing agreement with Kenta Kurahashi, pursuant to which such shareholder agrees to lend to Mizuho Securities Co., Ltd. an aggregate of 716,000 shares of our common stock solely to cover the over-allotment, if any. We have granted Mizuho Securities Co., Ltd. an option, exercisable until January 8, 2021, to purchase up to an additional 716,000 shares of our common stock in connection with over-allotments, if any, in the Japanese offering. During the period beginning on December 17, 2020 and ending on January 8, 2021, Mizuho Securities Co., Ltd. may purchase shares of our common stock in the open market in lieu of exercising all or part of the option mentioned above. All such transactions will be conducted by Mizuho Securities Co., Ltd. in compliance with all applicable laws.

Any purchase by Mizuho Securities Co., Ltd. of shares of our common stock in the open market in lieu of exercising all or part of the over-allotment option described above may cause the price of the shares of our common stock to be higher than the price that otherwise would exist in the open market absent such transactions. Neither we nor any of the joint global coordinators, international managers or Japanese underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we nor any of the joint global coordinators, international managers or Japanese underwriters make any representation that Mizuho Securities Co., Ltd. will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice. There is no over-allotment option relating to the international offering.

Intersyndicate Agreement

We have been advised by the joint global coordinators that to provide for the coordination of their activities, the international representatives, on behalf of themselves and the international managers, the Japanese joint lead managers, on behalf of themselves and the other Japanese underwriters, and the joint global coordinators have entered into an intersyndicate agreement which provides, among other things, that the international managers may, at the direction of the joint global coordinators, upon consultation with the international representatives and the Japanese joint lead managers, purchase a number of shares of our common stock from the Japanese underwriters. To the extent there are sales of shares of our common stock among the international managers and the Japanese underwriters pursuant to the intersyndicate agreement and in compliance with any applicable laws, regulations and rules, the number of international shares initially available for sale by the international managers may be more, and the number of shares initially available for sale by the Japanese underwriters may be less, than the numbers appearing on the cover page of this offering circular.

Pursuant to the intersyndicate agreement, as part of the distribution of shares in the global offering and subject to certain exceptions, the international managers and the Japanese underwriters have agreed that (i) the international managers will not offer or sell, directly or indirectly, any such shares or distribute any offering circular or prospectus relating to such shares in Japan to, or for the account or benefit of, any person that is a national or resident of Japan or any entity organized under the laws of Japan (other than a branch located outside Japan) or any Japanese branch of an entity not organized under the laws of Japan and (ii) the Japanese underwriters will not offer or sell, directly or indirectly, any such shares or distribute any offering circular or prospectus relating to such shares outside Japan.

Settlement

It is expected that payment for the international shares to be sold by us will be made in yen for value in Tokyo on or about December 16, 2020 (Tokyo time), and that payment for the international shares to be sold by the international selling shareholders named in this offering circular will be made in yen for value in Tokyo on or about December 17, 2020 (Tokyo time).

Lock-up Agreements

With respect to us:

In connection with the global offering, we have agreed with the joint global coordinators, for the benefit of each international manager and Japanese underwriter, that, during a period commencing on the date of this offering circular and ending on the date that is 180 calendar days from and including the date our shares are listed and admitted for trading on the Tokyo Stock Exchange, we will not, and we will not permit any entities or persons acting at our direction to, without the prior written consent of the joint global coordinators:

(a) offer, issue, pledge, transfer, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, shares of our common stock or any securities convertible into, or exchangeable for, or that represent the right to acquire or receive, shares of our common stock (collectively, the Lock-up Securities);

(b) enter into any swap transaction or other transaction that transfers, in whole or in part, any economic consequence of ownership of shares of our common stock; or

(c) announce or publicize any intention to engage in, or consent to, any of the prohibited actions described in (a) or (b) above.

Transactions described in (a) or (b) above are prohibited regardless of whether any such contract or transaction is to be settled by delivery of shares of our common stock or any other securities, or in cash or otherwise.

Notwithstanding the foregoing, the restrictions set forth above shall not apply to:

(i) the issuance of shares of our common stock as part of the global offering;

(ii) the approval of, and the taking of any internal corporate action in order to approve, the offering and sale in Japan of existing shares as part of the Japanese offering, the offering and sale of the over-allotted shares as part of the Japanese offering, and the offering and sale of existing shares pursuant the international purchase agreement;

(iii) the issuance of shares of our common stock through a third-party allotment to Mizuho Securities Co., Ltd. in connection with the over-allotment pursuant to the resolutions of our board of directors on November 12 and November 30, 2020;

(iv) the issue of shares of our common stock pursuant to a stock split or the issue of shares or disposition of treasury shares of our common stock pursuant to a free share distribution;

(v) the issue of shares of our common stock or transfer of treasury shares of our common stock pursuant to an absorption-type corporate split, a share exchange (*kabushiki koukan*) or merger in accordance with the Companies Act;

(vi) the issuance of stock acquisition rights as stock options, or the issue of shares of our common stock or disposition of treasury shares of our common stock upon the exercise of any stock acquisition rights, including stock acquisition rights incorporated in convertible bonds; or

(vii) the sale of any treasury shares of our common stock in accordance with Article 194, paragraph (3) of the Companies Act.

With respect to the shareholders:

In connection with the global offering, each of the selling shareholders and the following shareholders, T.Rowe Price Japan Fund, Keitaro Takayanagi, Yuki Makino, Kazuhiko Umemura and Masayuki Sakabe, has agreed with the joint global coordinators, for the benefit of each international manager and Japanese underwriter, during a period commencing on the date of this offering circular and ending on the date that is 180 calendar days, or 360 calendar days in the case of Kenta Kurahashi, Naoki Shibayama, T.Rowe Price Japan Fund and Keitaro Takayanagi, from and including the date our shares are listed and admitted for trading on the Tokyo Stock Exchange, not to, and not to permit any entities or persons acting at direction of the respective shareholder to, without the prior written consent of the joint global coordinators:

(a) offer, issue, pledge, transfer, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, the Lock-up Securities;

(b) enter into any swap transaction or other transaction that transfers, in whole or in part, any economic consequence of ownership of shares of our common stock; or

(c) announce or publicize any intention to engage in, or consent to, any of the prohibited actions described in (a) or (b) above.

Transactions described in (a) or (b) above are prohibited regardless of whether any such contract or transaction is to be settled by delivery of shares of our common stock or any other securities, or in cash or otherwise.

Notwithstanding the foregoing, the restrictions set forth above shall not apply to:

(i) the offering and sale of existing shares of our common stock in the global offering, the lending of shares of our common stock in connection with the Japanese offering, and the sale of shares in connection with such lending;

(ii) the sale or transfer of shares of our common stock in response to any share repurchase we may conduct in accordance with Articles 156, 160, 165, or Article 234, paragraph (4) as applied mutatis mutandis pursuant to of Article 235, paragraph (2), of the Companies Act;

(iii) the offer to sell shares of our common stock in connection with the tender offer for share certificates, etc. by a person other than us in accordance with Article 27-2 of the FIEA;

(iv) the sale or transfer to us of shares of our common stock that do not constitute a whole "unit" in accordance with Article 192, paragraph (1) of the Companies Act; or

(v) the lending of any shares of our common stock to Japan Securities Finance Co., Ltd. (the "JSF"), when shares of our common stock are selected as loan transaction stocks by the Tokyo Stock Exchange and the JSF.

In addition, there are exceptions for T. Rowe Price Japan Fund for (i) the sale or transfer of any shares of our common stock purchased in the global offering or any shares of our common stock purchased in open market transactions following the global offering and (ii) the transfer of shares of our common stock pursuant to a merger or reorganization with or into another mutual fund that shares the same investment adviser registered pursuant to the requirements of the U.S. Investment Advisers Act of 1940, as amended.

In accordance with the Enforcement Rules for Securities Listing Regulations of the Tokyo Stock Exchange, Google International LLC has agreed with us, during a period commencing on the date it acquired the shares of our Class D preferred stock through the third-party allotment in November 2019 and ending on the date six months from the date on which our shares are listed and admitted for trading on the Tokyo Stock Exchange, to continuously hold the shares of our Class D preferred stock it purchased in the third-party allotment in November 2019 and the shares of our common stock that we subsequently delivered to it in October 2020 in exchange for such shares of our Class D preferred stock, except in limited circumstances. The shares of our common stock subject to this agreement include (i) the shares Google International LLC may acquire through a stock split, (ii) the shares and/or stock acquisition rights Google International LLC may acquire through an allotment of shares or stock acquisition rights granted to it without compensation therefor and (iii) any other class of our capital stock and/or stock acquisition rights it may acquire from us through a conversion of the shares of our common stock to such capital stock or stock acquisition rights.

Selling Restrictions

General

No action has been or will be taken by us or the international managers that would permit a public offering of the shares, or possession or distribution of the offering circular, any amendment or supplement thereto, or any other offering or publicity material relating to the shares in any country or jurisdiction where, or in any circumstances in which, action for that purpose is required. Accordingly, the shares may not be offered or sold, directly or indirectly, and neither this offering circular nor any other offering or publicity material relating to the shares may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with applicable laws and regulations.

United States

The international manager has represented, warranted and agreed that it will purchase and sell shares as part of its distribution of shares under the international purchase agreement at any time only in accordance with Regulation S or Rule 144A.

The international shares offered by this offering circular have not been and will not be registered under the Securities Act and may not be offered or sold within the United States (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. U.S. affiliates of the international manager may arrange for the sale of a portion of the international shares in the United States exclusively to persons reasonably believed by them to be qualified institutional buyers (as defined in Rule 144A) in reliance on the exemption from registration provided by Rule 144A. Each U.S. purchaser of international shares is hereby notified that the offer and sale of international shares to it is being made in reliance upon such exemption. The offering of the international shares outside the United States will be made in compliance with Regulation S.

In addition, until 40 days after the commencement of the international offering, an offer or sale of international shares within the United States by a dealer (whether or not participating in the global offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A or pursuant to another exemption from registration under the Securities Act.

Japan

The international shares have not been and will not be registered under the FIEA. The international shares may not be offered or sold, directly or indirectly, in Japan or to or for the benefit of any resident of Japan (including any person resident in Japan or any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to or for the benefit of any resident of Japan, except pursuant to an exemption from the registration requirements of the FIEA and otherwise in compliance with any applicable laws, rules, regulations and governmental guidelines of Japan.

Member States of the European Economic Area

In relation to each EEA Member State and the United Kingdom (each a "Relevant State"), no offer to the public of the international shares which are the subject of the placement contemplated by this offering circular may be made in that Relevant State except other than under the following exemptions under Regulation (EU) 2017/1129 (together with supplements thereto, including Commission Delegated Regulation (EU) 2019/980, as amended or superseded, the "Prospectus Regulation"):

(a) to any legal entity which is a qualified investor as defined in Article 2(e) of the Prospectus Regulation (a "Qualified Investor");

(b) to fewer than 150 natural or legal persons (other than Qualified Investors) in that Relevant State, subject to obtaining the prior consent of the joint global coordinators for any such offer; or

(c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of international shares shall result in a requirement for us or any International Manager to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or to supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, and each person who initially acquires any international shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with us and the international managers that it is a Qualified Investor.

For the purposes of this provision, the expression an "offer to the public" in relation to any international shares in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the international shares to be offered so as to enable an investor to decide to purchase or subscribe for the international shares.

In the case of any international shares being offered to a financial intermediary (as that term is used in Article 5(1) of the Prospectus Regulation), such financial intermediary will also be deemed to have represented, acknowledged and agreed that the international shares acquired by it in the international offering have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any international shares to the public other than their offer or resale in a Relevant State to Qualified Investors or in circumstances in which the prior consent of us and the International Managers has been obtained to each such proposed offer or resale.

References to Regulations or Directives include, in relation to the United Kingdom, those Regulations or Directives as they form part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 or have been implemented in UK domestic law, as appropriate.

United Kingdom

Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (as amended, the "FSMA") in connection with the issue or sale of any international shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated to persons who have professional experience in matters relating to investments falling with Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) or in circumstances in which Section 21(1) of the FSMA does not apply to us, and all applicable provisions of the FSMA have been complied with and will be complied with in respect to anything done in relation to the international shares in, from or otherwise involving the United Kingdom.

Canada

The international shares may be sold, directly or indirectly, in Canada only in the provinces of British Columbia, Alberta, Ontario and Quebec or to residents thereof to purchasers purchasing, or deemed to be purchasing, as principal that are both accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Such sales will be made only by a dealer duly registered under the applicable securities laws of the applicable province or in accordance with an exemption from the applicable registered dealer requirements Any resale of the international shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering circular (including any amendment hereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Under Canadian securities law, National Instrument 33-105 *Underwriting Conflicts* (NI 33-105) provides disclosure requirements with respect to potential conflicts of interest between an issuer and underwriters, dealers or placement agents, as the case may be. To the extent any conflict of interest between us and any of the underwriters (or any other placement agent acting in connection with this offering) may exist in respect of this offering, the applicable parties to this offering are relying on the exemption from these disclosure requirements provided to them by section 3A.3 of NI 33-105 (Exemption based on U.S. disclosure).

Upon receipt of this document, each Canadian purchaser hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the securities described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque acheteur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

Hong Kong

The contents of this offering circular have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this offering circular, you should obtain independent professional advice. The international shares have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong), or the SFO, and any rules made under the SFO, or (b) in circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong), or the CO, or which do not constitute an offer to the public within the meaning of the CO.

No advertisement, invitation or document relating to the international shares that is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong other than with respect to the international shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO, has been issued or in the possession of, or will be issued or in the possession of, any person for the purposes of issue, whether in Hong Kong or elsewhere (except if permitted to do so under the securities laws of Hong Kong).

Singapore

This offering circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of international shares may not be circulated or distributed, nor may the international shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the international shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the international shares pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Any reference to the "SFA" is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Australia

We are not registered as a foreign company in Australia. The provision of this offering circular to any person does not constitute an offer of international shares to that person or an invitation to that person to apply for international shares. Any such offer or invitation will only be issued to and/or directed at a person in Australia if that person is a wholesale client for the purposes of section 761G or 761GA of the Corporations Act 2001 (Cth), ("the Corporations Act"), or is a sophisticated investor or professional investor for the purposes of sections 708(8) or 708(11) of the Corporations Act respectively (referred to as a "wholesale investor").

This offering circular is intended to be provided only to wholesale investors. By receiving this offering circular, each prospective investor is deemed to represent that it is a sophisticated or professional investor and a wholesale client.

This offering circular is not intended to be distributed or passed on, directly or indirectly, to any other class of persons in Australia.

No persons referred to in this offering circular hold an Australian financial services license.

The information in this offering circular is not personal advice and is not intended to provide, and should not be relied upon, for accounting, legal, tax advice or investment recommendations. It has been prepared without taking into account any investor's investment objectives, financial situation or particular needs. Before acting on the information the investor should consider its appropriateness having regard to their investment objectives, financial situation and needs and consider obtaining their own financial product advice from an independent person who is licensed by the Australian Securities and Investments Commission ("ASIC"), to give such advice. A person should consult their financial, tax, legal, accounting or other professional advisor about the points raised in this offering circular

This offering circular has not been prepared specifically for Australian investors and does not purport to include all of the information required in a product disclosure statement, prospectus or other disclosure document under the Corporations Act. It:

- may contain references to dollar amounts which are not Australian dollars;
- may contain financial information which is not prepared in accordance with Australian law or practices;
- may not address risks associated with investment in foreign currency denominated investments; and
- does not address Australian tax issues.

Any person to whom shares are issued or sold must not, within 12 months after the issue, offer, transfer or assign those shares to investors in Australia except in circumstances where the investor is also a sophisticated or professional investor and wholesale client and disclosure to that investor is not required under the Corporations Act.

This offering circular is issued by us. We do not hold an Australian financial services license which authorises us to provide financial product advice in relation to the international shares. An investor in the international shares should read this offering circular before deciding whether to acquire international shares and will not have cooling off rights.

This offering circular does not constitute a product disclosure statement, prospectus or other disclosure document under Part 6D.2 or Part 7.9 of the Corporations Act and will not be lodged with ASIC. This offering circular does not otherwise require disclosure to investors under Part 6D.2 or Part 7.9 of the Corporations Act and such action does not require any document to be lodged with the Australian Securities Exchange or ASIC.

Dubai International Financial Centre

This offering circular relates to an "Exempt Offer" in accordance with the Markets Rules of the Dubai Financial Services Authority ("DFSA").

This offering circular is intended for distribution only to Professional Clients (as defined by the DFSA) who are not natural persons. It must not be delivered to, or relied on by, any other person.

The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved the shares or this offering circular nor taken steps to verify the information set out in this offering circular, and has no responsibility for it.

The shares and interests therein to which this offering circular relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares and interests therein should conduct their own due diligence on the shares.

If you do not understand the contents of this offering circular you should consult an authorized financial adviser.

In relation to its use in the Dubai International Financial Centre, this offering circular is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the shares may not be offered or sold directly or indirectly to the public in the Dubai International Financial Centre.

Republic of France

The international shares have not been and will not be offered or sold or caused to be offered or sold, directly or indirectly, to the public in France and neither this offering circular, nor any other offering material or information contained therein relating to the international shares, has been submitted to the approval of the French Autorité des marchés financiers, or the AMF, or of a competent authority of another Member State of the European Economic Area that would have notified its approval to the AMF under the Prospectus Regulation. Neither this offering circular, nor any other offering material or information contained therein relating to the international shares has been or will be released, issued or distributed or caused to be released, issued or distributed, directly or indirectly, to the public in France, or used in connection with any offer for subscription, exchange or sale of the international shares to the public in France.

Any such offers, sales and distributions may be made in France only to (i) persons licensed to provide investment service of portfolio management on behalf of third parties (personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers); and/or (ii) qualified investors (investisseurs qualifiés) acting for their own account; and/or (iii) subject to obtaining the prior consent of the global coordinator, a limited circle of investors (cercle restreint d'investisseurs) comprised of fewer than 150 natural or legal persons (other than qualified investors) acting for their own account; all as defined in, and in accordance with, Articles L. 411-1, L. 411-2, D. 411-1 and D. 411-4, D. 744-1, D. 754-1 and D. 764-1 of the French Code monétaire et financier and applicable regulations promulgated thereunder.

The international shares purchased or subscribed by investors listed above may be offered or resold, directly or indirectly, to the public in France, only in compliance with the conditions relating to public offers set forth in Articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the French Code monétaire et financier and applicable regulations promulgated thereunder. Investors in France, and persons into whose possession offering materials referred to herein come, must inform themselves about, and observe any such restrictions.

Republic of Italy

This offering circular and the offering of the international shares have not been and will not be registered with, approved or subject to any formal review or clearance by, the *Commissione Nazionale per le Società e la Borsa*, ("CONSOB") (the Italian securities market regulator).

The international shares may not and will not be offered, sold, promoted, advertised or delivered, directly or indirectly, nor any copies of this offering circular or any other document relating to the international shares may or will be distributed in the Republic of Italy, other than:

(i) to qualified investors (*investitori qualificati*) as defined pursuant to Article 2 of the Prospectus Regulation; or

(ii) in other circumstances where an exemption from the rules governing offers of securities to the public applies, pursuant to Article 1 of Prospectus Regulation, Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended from time to time (the "Financial Services Act"), as applicable, Article 34-ter, of the CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time, (the "Issuers' Regulation") and the applicable Italian laws;

and provided further that any such offer, sale, promotion, advertising or delivery of the international shares or distribution of this offering circular, or any part thereof, or of any other document or material relating to the international shares in Italy is made in compliance with the Italian securities, tax, exchange control and other applicable laws and regulations, and, in particular, is made:

(a) by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of 1 September 1993, as amended from time to time, (the "Banking Law"), the Issuers' Regulation, CONSOB Regulation No. 20307 of 15 February 2018, as amended from time to time (the "Intermediaries Regulation"), and any other applicable Italian laws and regulations; and

(b) in compliance with any other applicable Italian laws and regulations and relevant limitations or procedural requirements (including reporting requirements) that CONSOB, the Bank of Italy and any competent authority may impose upon the offer or sale of the international shares.

Any investor purchasing the international shares is solely responsible for ensuring that any offer or resale of the international shares it purchased occurs in compliance with the Prospectus Regulation and any applicable Italian laws and regulations.

South Korea

The international shares may not be offered, sold and delivered directly or indirectly, or offered or sold to any person for re-offering or re-sale, directly or indirectly, in Korea or to, or for the account or benefit of, any resident (as defined under the Foreign Exchange Transaction Act of Korea and the decree, rules and regulations promulgated thereunder (the "Foreign Exchange Transaction Law")) of Korea, except pursuant to the applicable laws and regulations of Korea, including the Financial Investment Services and Capital Markets Act and the Foreign Exchange Transaction Law and the decrees and regulations thereunder. The international shares have not been registered with the Financial Services Commission of Korea for public offering in Korea.

Taiwan

The international shares have not been and will not be registered or filed with, or approved by, the Financial Supervisory Commission of Taiwan (the "FSC") or other applicable competent authorities pursuant to relevant securities laws and regulations of Taiwan and may not be sold, issued or offered within Taiwan through a public offering or in circumstances which constitute a public offering within the meaning of the Securities and Exchange Act or relevant laws and regulations of Taiwan that requires a registration, filing or approval of the FSC or other competent authorities. No person or entity in Taiwan has been authorized to offer, sell, solicit to sell, give advice regarding or otherwise intermediate the offering and sale of the international shares in Taiwan through a public offering.

People's Republic of China (excluding Hong Kong, Macau and Taiwan)

The international shares may not be offered or sold directly or indirectly within the People's Republic of China, which, for the purpose of this section of this offering memorandum, does not include Hong Kong, Macau and Taiwan, or the PRC, except offers and sales made privately to no more than 200 specified investors in the PRC complying with requirements described in the paragraph below. This offering memorandum or any information contained or incorporated by reference herein relating to the international shares does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. This offering memorandum, any information contained herein or the international shares have not been, and will not be, submitted to, approved by, verified by or registered with any relevant governmental authorities in the PRC and thus may not be supplied to the public in the PRC or used in connection with any offer for the subscription or sale of the shares in the PRC.

The international shares may only be invested by investors in the PRC that are authorized to engage in the investment in the international shares of the type being offered or sold. Investors in the PRC are responsible for obtaining all relevant governmental approvals, verifications, licenses or registrations (if any) from all relevant PRC governmental authorities, including, but not limited to, the State Administration of Foreign Exchange, or other relevant regulatory bodies, and complying with all relevant PRC regulations, including, but not limited to, any relevant foreign exchange regulations and/or overseas investment regulations.

Switzerland

The international shares may not be publicly offered, directly or indirectly, in or into Switzerland within the meaning of the Swiss Financial Services Act ("FinSA"), except under the following exemptions under the FinSA:

(i) to any investor that qualifies as a professional client within the meaning of the FinSA;

(ii) in any other circumstances falling within article 36 of the FinSA;

provided, in each case, that no such offer of the international shares referred to in (i) through (ii) above shall require the publication of a prospectus for offers of international shares pursuant to the FinSA.

The international shares have not been and will not be listed or admitted to any trading venue in Switzerland.

Neither this offering circular nor any other offering or marketing material relating to the international shares constitutes a prospectus as such term is understood pursuant to the FinSA, and neither this offering circular nor any other offering or marketing material relating to the international shares may be distributed or otherwise made available in Switzerland in a manner which would require the publication of a prospectus pursuant to the FinSA in Switzerland.

United Arab Emirates (excluding the Dubai International Financial Centre and the Abu Dhabi Global Market)

The offering of the shares has not been approved or licensed by the United Arab Emirates Central Bank, the UAE Securities and Commodities Authority ("SCA") or any other relevant licensing authorities in the United Arab Emirates ("UAE") and accordingly does not constitute a public offer of securities in the UAE in accordance with Federal Law No. 2 of 2015 Concerning Commercial Companies (as amended), SCA Resolution No. 3 R.M. of 2017 Concerning the Organization of Promotion and Introduction or otherwise. Accordingly, the shares may not be offered to the public in the UAE.

This offering circular is strictly private and confidential and is being issued to a limited number of investors:

(a) who fall within with the exemptions set out in SCA Resolution No. 3 R.M. of 2017 (Qualified Investors excluding natural persons) and have confirmed the same;

(b) upon their request and confirmation that they understand that the shares and the interests have not been approved or licensed by or registered with the UAE Central Bank, the SCA or any other relevant licensing authorities or governmental agencies in the UAE; and

(c) must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose.

Ireland

The international offering is not authorized or supervised by the Central Bank of Ireland. The information in this offering circular does not constitute a prospectus under Irish laws or regulations and this document has not been filed with or approved by any Irish regulatory authority as the information has not been prepared in the context of a public offering of securities in Ireland within the meaning of Regulation (EU) 2017/1129 (the Prospectus Regulation) or the Irish European Union (Prospectus) Regulations 2019, as amended. This offering circular and any other offering material does not constitute an invitation to or facilitate participation by the public and accordingly is not an offer for which approval of any Irish regulatory authority is required. This offering circular is confidential and it may not be copied or distributed to other people without prior written consent. The international shares will only be offered and sold in Ireland by the international manager in accordance with Regulation 5 (4) of the European Communities (Markets in Financial Instruments) Regulations 2017 or in circumstances where an exemption applies.

Stamp Taxes and Other Charges

Purchasers of the international shares offered by this offering circular may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the offer price set forth on the cover of this offering circular.

Other Relationships

Certain of the international managers, the Japanese underwriters or their respective affiliates have provided, and may in the future provide, various financial advisory and investment and commercial banking and other services for us and our affiliates, as well as the selling shareholders and its affiliates, in the ordinary course of their business, for which they have received or may receive, as the case may be, customary compensation. Interests may evolve out of these transactions that could potentially conflict with the interests of a purchaser of the international shares. In particular, Mizuho Bank, Ltd. is one of our principal bank lenders. Mizuho Bank, Ltd. is an affiliate of Mizuho International plc, one of the international managers for the international offering, and Mizuho Securities Co., Ltd., one of the joint global coordinators for the global offering and one of the Japanese underwriters for the Japanese offering.

Mizuho Securities Co., Ltd. is acting as listing advisor to us in connection with the global offering.

Mizuho Growth Fund No.2 Limited Partnership is one of the domestic selling shareholders in the Japanese offering. Mizuho Growth Fund No.2 Limited Partnership is an affiliate of Mizuho International plc, one of the international managers in the international offering, and Mizuho Securities Co., Ltd., one of the joint global coordinators for the global offering and one of the Japanese joint lead managers for the Japanese offering.

In addition, in the ordinary course of their business activities, the international managers, the Japanese underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The international managers, the Japanese underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. Interests may evolve out of these transactions that could potentially conflict with your interests.

LEGAL MATTERS

Certain legal matters with respect to the international offering will be passed upon for us by Nagashima Ohno & Tsunematsu and for the international managers by Anderson Mori & Tomotsune, in each case in respect of Japanese law. Certain legal matters with respect to the international offering will be passed upon for us by Davis Polk and Wardwell LLP and for the international managers by Skadden, Arps, Slate, Meagher & Flom LLP, in each case in respect of New York state and U.S. federal securities law.

INDEPENDENT AUDITOR

The financial statements of PLAID, Inc. as of September 2019 and 2018, and for the years then ended, and as of September 30, 2020 and 2019, and for the years then ended, included in this offering circular, have been audited by KPMG AZSA LLC, independent auditors, as stated in their report appearing herein.

INDEX TO FINANCIAL STATEMENTS

Audited Financial Statements of PLAID, Inc.

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Independent Auditor's Report

To the Board of Directors of PLAID, Inc.:

We have audited the accompanying financial statements of PLAID, Inc., which comprise the balance sheets as at September 30, 2019 and 2018, and the statements of income (loss), statements of changes in net assets and statements of cash flows for the years then ended, and notes to financial statements, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of PLAID, Inc. as at September 30, 2019 and 2018, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying financial statements with respect to the year ended September 30, 2019 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the financial statements.

/S/ Tomomichi Sakai
Designated Engagement Partner
Certified Public Accountant

/S/ Masaya Ariyoshi
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
November 6, 2020

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

Balance Sheets
PLAID, Inc.
As of September 30, 2019 and 2018

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2019	2018	2019
Current assets:			
Cash and deposits (Note 8 and 10)	¥ 1,374,435	¥ 2,161,520	$ 12,735
Notes receivable, trade (Note 10)	7,869	13,805	72
Accounts receivable, trade (Note 10)	360,726	219,103	3,342
Prepaid expenses	146,105	32,810	1,353
Other	3,455	36,443	32
Total current assets	1,892,592	2,463,683	17,536
Property and equipment :			
Buildings	25,732	100,410	238
Accumulated depreciation	(25,732)	(5,047)	(238)
Buildings, net	0	95,363	0
Tools, furniture and fixtures	78,099	88,241	723
Accumulated depreciation	(54,052)	(26,216)	(500)
Tools, furniture and fixtures, net	24,047	62,024	222
Property and equipment, net	24,047	157,388	222
Intangible assets:			
Software	-	2,209	-
Total intangible assets	-	2,209	-
Investments and other assets:			
Lease and guarantee deposits (Note 10)	285,377	334,687	2,644
Total investments and other assets	285,377	334,687	2,644
Total assets	¥ 2,202,017	¥ 2,957,969	$ 20,404

LIABILITIES AND NET ASSETS	Thousands of Yen 2019	Thousands of Yen 2018	Thousands of U.S. Dollars (Note 1) 2019
Current liabilities:			
Short-term debt (Note 10 and 11)	¥ -	¥ 41,620	$ -
Current portion of long-term debt (Note 10)	111,120	111,120	1,029
Accounts payable, other (Note 10)	377,982	297,954	3,502
Accrued expenses (Note 10)	11,360	13,674	105
Income taxes payable (Note 10)	21,423	2,099	198
Deposits received (Note 10)	24,620	20,248	228
Deferred revenue	18,877	18,730	174
Allowance for losses on order received	6,332	8,830	58
Other	43,726	4,980	405
Total current liabilities	615,442	519,256	5,702
Long-term liabilities:			
Long-term debt (Note 10 and 11)	397,760	508,880	3,685
Total long-term liabilities	397,760	508,880	3,685
Net assets (Note 7):			
Shareholders' equity			
Common stock	149,987	100,000	1,389
Capital surplus			
Additional paid-in capital	2,109,990	2,060,002	19,551
Total capital surplus	2,109,990	2,060,002	19,551
Retained earnings (Accumulated deficit)	(1,071,162)	(230,169)	(9,925)
Total shareholders' equity	1,188,815	1,929,833	11,015
Total net assets	1,188,815	1,929,833	11,015
Total liabilities and net assets	¥ 2,202,017	¥ 2,957,969	$ 20,404

See notes to financial statements.

Statements of Income (Loss)

PLAID, Inc.

For the years ended September 30, 2019 and 2018

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
Net sales	¥2,937,299	¥1,595,434	$27,217
Cost of sales (Note 5)	794,017	393,128	7,357
Gross profit	2,143,282	1,202,306	19,859
Selling, general and administrative expenses (Note 5 and 9)	2,677,501	1,402,443	24,810
Operating income (loss)	(534,218)	(200,137)	(4,950)
Other income (expenses):			
Interest income	19	9	0
Interest expenses	(10,111)	(6,335)	(93)
Subsidy income	-	570	-
Commission fee	-	(15,000)	-
Listing expenses	(134,579)	-	(1,247)
Impairment loss (Note 6)	(160,037)	-	(1,482)
Stock issuance cost	(349)	(7,027)	(3)
Other, net	577	(148)	5
Other income (expenses), net	(304,481)	(27,931)	(2,821)
Income (loss) before income taxes	(838,700)	(228,068)	(7,771)
Income taxes (Note 13):			
Current	2,292	2,100	21
Total income taxes	2,292	2,100	21
Net income (loss)	¥ (840,993)	¥ (230,169)	$(7,792)
PER SHARE INFORMATION (Note 16):			
Basic net loss*1	¥ (25.05)	¥ (7.41)	$ (0.23)

*1 Per share figures have been adjusted to reflect a 1,000-for-1 stock splits effective on April 4, 2019.

See notes to financial statements.

Statements of Changes in Net Assets
PLAID, Inc.
For the years ended September 30, 2019 and 2018

	Thousands of Yen						
	Shareholders' equity						
		Capital surplus					
	Common Stock	Additional paid-in capital	Other capital surplus	Total capital surplus	Retained earnings (Accumulated deficit)	Total shareholders' equity	Total Net Assets
Balance at October 1, 2017	335,048	325,048	-	325,048	(499,373)	160,723	160,723
Changes during year							
Issuance of new shares	999,639	999,639		999,639		1,999,279	1,999,279
Net income (loss)					(230,169)	(230,169)	(230,169)
Transfer to other capital surplus from common stock	(499,373)		499,373	499,373		-	-
Transfer to additional paid-in capital from common stock	(735,314)	735,314		735,314		-	-
Deficit disposition			(499,373)	(499,373)	499,373	-	-
Total changes during year	(235,048)	1,734,954	-	1,734,954	269,204	1,769,109	1,769,109
Balance at September 30, 2018	100,000	2,060,002	-	2,060,002	(230,169)	1,929,833	1,929,833
Changes during year							
Issuance of new shares	49,987	49,987		49,987		99,975	99,975
Net income (loss)					(840,993)	(840,993)	(840,993)
Total changes during year	49,987	49,987	-	49,987	(840,993)	(741,017)	(741,017)
Balance at September 30, 2019	149,987	2,109,990	-	2,109,990	(1,071,162)	1,188,815	1,188,815

	Thousands of U.S. Dollars (Note 1)						
	Shareholders' equity						
		Capital surplus					
	Common Stock	Additional paid-in capital	Other capital surplus	Total capital surplus	Retained earnings (Accumulated deficit)	Total shareholders' equity	Total Net Assets
Balance at September 30, 2018	926	19,088	-	19,088	(2,132)	17,882	17,882
Changes during year							
Issuance of new shares	463	463		463		926	926
Net income (loss)					(7,792)	(7,792)	(7,792)
Total changes during year	463	463	-	463	(7,792)	(6,866)	(6,866)
Balance at September 30, 2019	1,389	19,551	-	19,551	(9,925)	11,015	11,015

See notes to financial statements.

Statements of Cash Flows
PLAID, Inc.
For the years ended September, 30 2019 and 2018

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
Cash flows from operating activities:			
Income (loss) before income taxes	¥ (838,700)	¥ (228,068)	$ (7,771)
Depreciation and amortization	52,492	24,427	486
Impairment loss	160,037	-	1,482
Increase (decrease) in allowance for losses on order received	(2,498)	8,830	(23)
Interest and dividend income	(19)	(9)	(0)
Subsidy income	-	(570)	-
Interest expenses	10,111	6,335	93
Commission fee	-	15,000	-
Listing expenses	134,579	-	1,247
Decrease (increase) in notes and accounts receivable, trade	(135,686)	(102,321)	(1,257)
Decrease (increase) in prepaid expenses	(113,294)	(21,420)	(1,049)
Increase (decrease) in accounts payable, other	52,952	241,548	490
Increase (decrease) in accrued consumption taxes	39,066	(24,895)	361
Other	29,933	7,795	277
Sub total	(611,025)	(73,348)	(5,661)
Interest and dividend income received	19	9	0
Subsidy income received	-	570	-
Interest expenses paid	(10,167)	(6,309)	(94)
Income taxes paid	(2,102)	(1,917)	(19)
Net cash provided by (used in) operating activities	(623,276)	(80,995)	(5,775)
Cash flows from investing activities:			
Purchase of property and equipment	(15,530)	(166,912)	(143)
Payments for lease and guarantee deposits	-	(340,971)	-
Proceeds from collection of lease and guarantee deposits	35,040	20,145	324
Other	344	(2,501)	3
Net cash provided by (used in) investing activities	19,854	(490,239)	183
Cash flows from financing activities:			
Proceeds from short-term debt	-	100,000	-
Repayments of short-term debt	(41,620)	(158,380)	(385)
Proceeds from long-term debt	-	580,000	-
Repayments of long-term debt	(111,120)	-	(1,029)
Proceeds from issuance of stock	-	1,992,252	-
Proceeds from issuance of shares resulting from exercise of share acquisition rights	99,625	-	923
Payments of listing expenses	(130,549)	-	(1,209)
Other	-	(15,000)	-
Net cash provided by (used in) financing activities	(183,663)	2,498,872	(1,701)
Net increase (decrease) in cash and cash equivalents	(787,084)	1,927,637	(7,293)
Cash and cash equivalents at beginning of year	2,161,520	233,883	20,028
Cash and cash equivalents at end of year (Note 8)	¥ 1,374,435	¥ 2,161,520	$ 12,735

See notes to financial statements.

1. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The accompanying financial statements of PLAID, Inc. (the "Company") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards.

In preparing these financial statements, certain reclassifications and rearrangements have been made to the financial statements issued domestically in order to present them in a format that is more familiar to readers outside Japan.

Japanese yen figures less than one thousand yen are rounded down to the nearest thousand yen and U.S. dollar figures less than one thousand dollars are rounded down to the nearest thousand dollars, except for per share data. The total Japanese yen and U.S. dollars amounts shown in the financial statements and notes do not necessarily agree with the sum of the individual amounts.

The financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and mainly operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥107.92 to $1.00, the rate of exchange as of September 30, 2019. Such translations should not be construed as indications that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. *Property and Equipment*—Property and equipment are stated at cost. Depreciation of property and equipment is calculated under the declining-balance method based on the estimated useful lives of the assets, with the exception of buildings acquired on or after April 1, 2016, for which the straight-line method is applied. The estimated useful lives of major asset items are as follows:

For the year ended September 30, 2019

Buildings:	3-5 years
Tools, furniture and fixtures:	4-15 years

For the year ended September 30, 2018

Buildings:	2-15 years
Tools, furniture and fixtures:	3-15 years

b. *Software*—Software for internal use is amortized using the straight-line method over five years based on the estimated useful life.

c. *Stock Issuance Cost*—Stock issuance cost is expensed when incurred.

d. *Foreign Currency Transactions*—Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at year-end exchange rates with the resulting exchange gain or loss recognized in the statements of income (loss).

e. *Allowance for Losses on order received*—In order to provide for possible future losses related to contracts of orders on hand at the end of the fiscal year, those with high probability of generating losses and where it is possible to reasonably estimate the amount of such losses, the estimated amount of losses to be incurred in the future is provided as an allowance for losses on order received.

f. *Cash and Cash Equivalents*—Cash and cash equivalents consist of cash on hand and cash in banks that is readily convertible into cash.

g. *Consumption Taxes*—Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

The following standard and guidance were issued but not yet applied.

For the year ended September 30, 2019
-Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 30, 2018)
-Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 30, 2018)

(1) Overview
The International Accounting Standards Board ("IASB") and the Financial Accounting Standards Board ("FASB") jointly developed a comprehensive accounting standard for revenue recognition and issued Revenue from Contracts with Customers in May 2014 as IFRS 15 (IASB) and Topic 606 (FASB), respectively. In order to respond to both IFRS 15 and Topic 606 applied from the fiscal years beginning on or after January 1, 2018 and December 15, 2017, the Accounting Standards Board of Japan ("ASBJ") developed a comprehensive accounting standard for revenue recognition and issued it along with implementation guidance.

ASBJ's basic policy in developing the new revenue recognition standards is to first incorporate the core principle of IFRS 15 in the light of improving the international comparability of financial statements and then add additional alternative treatments to the extent that international comparability would not be significantly impaired where any business practices operated in Japan need to be considered.

(2) Scheduled date of application
The Company will apply from the beginning of the year ending September 30, 2022.

(3) Effects of the application of the standards
The effects of the application on the financial statements are currently being assessed.

-Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019)
-Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019)
-Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4, 2019)

(1) Overview
In order to enhance comparability with internationally recognized accounting standards, "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (together, "Fair Value Accounting Standards") were developed and guidance on methods measuring fair value was issued. Fair Value Accounting Standards are applicable to the fair value measurement of the following item:
-Financial instruments as prescribed in "Accounting Standard for Financial Instruments"

(2) Scheduled date of application
The Company will apply from the beginning of the year ending September 30, 2022.

(3) Effects of the application of the standards
The effects of the application on the financial statements are currently being assessed.

For the year ended September 30, 2018
-Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 30, 2018)
-Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 30, 2018)

(1) Overview

The IASB and the FASB jointly developed a comprehensive accounting standard for revenue recognition and issued Revenue from Contracts with Customers in May 2014 as IFRS 15 (IASB) and

Topic 606 (FASB), respectively. In order to respond to both IFRS 15 and Topic 606 applied from the fiscal years beginning on or after January 1, 2018 and December 15, 2017, the ASBJ developed a comprehensive accounting standard for revenue recognition and issued it along with implementation guidance.

ASBJ's basic policy in developing the new revenue recognition standards is to first incorporate the core principle of IFRS 15 in the light of improving the international comparability of financial statements and then add additional alternative treatments to the extent that international comparability would not be significantly impaired where any business practices operated in Japan need to be considered.

(2) Scheduled date of application

The Company will apply from the beginning of the year ending September 30, 2022.

(3) Effects of the application of the standards
The effects of the application on the financial statements are currently being assessed.

4. CHANGES IN PRESENTATION METHOD

For the year ended September 30, 2019

(Changes due to adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting")
Upon application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018 (hereinafter, "Statement No. 28")) from the beginning of the fiscal year ended September 30, 2019, the Company changed related notes of deferred tax assets and deferred tax liabilities.
The notes related to tax effect accounting additionally included those described in notes 8 (excluding total amount of valuation reserves) and 9 of "Accounting Standard for Tax Effect Accounting", which are required in paragraphs 3 to 5 of Statement No. 28. However, this additional information corresponding to the fiscal year ended September 30, 2018 is not disclosed, in accordance with the transitional treatments prescribed in paragraph 7 of Statement No. 28.

5. COST OF SALES AND SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

(1) Cost of sales
Major components of cost of sales for the years ended September 30, 2019 and 2018 were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Server costs	¥697,023	¥343,446	$6,458
Allowance for losses on order received	6,332	8,830	58
Other	90,661	40,852	840
Total	¥794,017	¥393,128	$7,357

(2) Selling, general and administrative expenses
Major components by nature and the proportion by function of selling, general and administrative expenses for the years ended September 30, 2019 and 2018 were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Salaries and allowances	¥ 924,016	¥ 482,817	$ 8,562
Advertising expenses	535,604	205,522	4,962
Rents	310,309	161,432	2,875
Depreciation and amortization	52,492	24,427	486
Selling expenses	23%	19%	—
General and administrative expenses	77%	81%	—

6. IMPAIRMENT LOSS

The Company recognized impairment loss for the year ended September 30, 2019. The details were as follows:

Application	Category	Location	Thousands of Yen	Thousands of U.S. Dollars
Business assets	Buildings	Chuo-ku, Tokyo	¥ 82,164	$ 761
	Tools, furniture and fixtures		37,612	348
	Software		1,709	15
	Lease and guarantee deposits		38,551	357

Footnote:

The Company grouped its business assets as a single cash-generating unit for impairment testing as the Company operates a single SaaS business segment. Since the carrying amounts cannot be expected to be recovered due to the decline in profitability, the carrying amounts were written down to the recoverable amount. As a result, an impairment loss of ¥160,037 thousand ($1,482 thousand) was recognized. The recoverable amount of the assets is calculated by using the fair value less costs of disposal.

7. NET ASSETS

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholder's meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria, and accordingly, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year.

Interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the net assets account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of common stock. Under the Companies Act, the total amount of legal reserve and additional paid-in capital may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within net assets under certain conditions upon resolution of the shareholders.

A company may, by a resolution of its Board of Directors, designate an amount not exceeding half of the price of new shares as additional paid-in capital, which is included in capital surplus.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of net assets. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of net assets or deducted directly from stock acquisition rights.

Changes in the number of issued shares for the years ended September 30, 2019 and 2018 were as follows:

For the year ended September 30, 2019

Types of Shares	Number of Shares at October 1, 2018	Increase	Decrease	Number of Shares at September 30, 2019
Issued shares				
Common stock	20,000	33,968,000	13,988,000	20,000,000
(Footnote 2, 4 and 5)				
Class A preferred stock	4,616	4,616,000	4,616	4,616,000
(Footnote 2, 3 and 5)				
Class B preferred stock	5,047	6,057,009	6,056	6,056,000
(Footnote 1, 2, 3 and 5)				
Class C preferred stock	3,316	3,316,000	3,316	3,316,000
(Footnote 2, 3 and 5)				
Total	32,979	47,957,009	14,001,988	33,988,000

Footnotes:

1. Of the increase in Class B preferred stock, 1,009 shares were due to the exercise of stock acquisition rights.
2. On March 20, 2019, of the increase in common stock, 13,988 shares were due to the transactions that the Company acquired all the Class A preferred stock, Class B preferred stock and Class C preferred stock as treasury stock, and in exchange issued common stock to the holders of those preferred stock at a ratio of one to one, pursuant to the resolution of the Board of Directors on February 13, 2019, based on its articles of incorporation.
3. On March 20, 2019 all the Class A preferred stock, Class B preferred stock and Class C preferred stock the Company acquired were retired by a resolution of the Board of Directors dated March 19, 2019, pursuant to Article 178 of the Companies Act.
4. Of the increase in common stock, 33,954,012 shares were due to a stock split of 1,000 shares per common stock on April 4, 2019.
5. On July 1, 2019, by the agreement between the Company and all of its shareholders, the Company converted 13,988,000 shares of common stock into 4,616,000 shares of Class A preferred stock, 6,056,000 shares of Class B preferred stock and 3,316,000 shares of Class C preferred stock, respectively.

For the year ended September 30, 2018

Types of Shares	Number of Shares at October 1, 2017	Increase	Decrease	Number of Shares at September 30, 2018
Issued shares				
Common stock	20,000	–	–	20,000
Class A preferred stock	4,616	–	–	4,616
Class B preferred stock	5,047	–	–	5,047
Class C preferred stock (Footnote 1)	–	3,316	–	3,316
Total	29,663	3,316	–	32,979

Footnotes:

1. Increase of 3,316 shares in Class C preferred stock was due to issuance of new shares by way of a third-party allotment.

The number of stock acquisition rights for the years ended September 30, 2019 and 2018 was as follows:

For the year ended September 30, 2019

			Number of shares to be issued				Thousands of Yen
Company	Description	Type of shares to be Issued	Number of shares at October 1, 2018	Increase	Decrease	Number of shares at September 30, 2019	Balance at September 30, 2019
Reporting company	Second series stock acquisition rights	Class B preferred stock	1,009	–	1,009	–	–
Total		–	1,009	–	1,009		–

Footnotes:

1. Decrease in second series stock acquisition rights is due to the exercise of stock acquisition rights.

For the year ended September 30, 2018

			Number of shares to be issued				Thousands of Yen
Company	Description	Type of shares to be Issued	Number of shares at October 1, 2017	Increase	Decrease	Number of shares at September 30, 2018	Balance at September 30, 2018
Reporting company	Second series stock acquisition rights	Class B preferred stock	1,009	–	–	1,009	–
Total		–	1,009	–	–	1,009	–

8. CASH AND CASH EQUIVALENTS

Reconciliations of “cash and cash equivalents” and “cash and deposits” in the balance sheets as of September 30, 2019 and 2018 were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Cash and deposits	¥ 1,374,435	¥ 2,161,520	$ 12,735
Cash and cash equivalents	¥ 1,374,435	¥ 2,161,520	$ 12,735

9. LEASE TRANSACTIONS

(1) Finance leases
Not applicable.

(2) Operating leases
Future minimum lease payments under non-cancelable operating leases as of September 30, 2019 and 2018 were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Due within one year	¥ 305,981	¥ 305,981	$ 2,835
Due after one year	377,377	683,358	3,496
Total	¥ 683,358	¥ 989,339	$ 6,332

10. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Company policy for financial instruments
The Company limits fund management to short-term deposits and does not enter into any derivative contracts. In addition, the Company raises funds through borrowings from financial institutions, including banks.

(2) Nature and extent of risks arising from financial instruments
Notes receivable and accounts receivable are exposed to customer credit risk.
Lease and guarantee deposits are mainly related to a lease agreement of the Company's headquarter office and exposed to counterparty's credit risk.

Accounts payable, accrued expenses, income taxes payable and deposits received are due within one year and exposed to liquidity risk.
Borrowings are primarily for working capital and capital investments. Borrowings with variable interest rates are exposed to interest rate fluctuation risk.

(3) Risk management system for financial instruments
The Company manages credit risk in accordance with internal customer credit management rules and mitigates such risk by monitoring the payment terms, outstanding balances and financial condition of counterparties.
The Company manages liquidity risk by preparing and updating internal fund management plans.
In addition, the Company maintains a certain level of liquidity on hand.
The Company manages market risk, in particular, fluctuation risk of borrowing interest rate, by regularly monitoring the market interest rate.

(4) Supplementary information on fair value of financial instruments
Fair values of financial instruments are based on the quoted price in active markets. If a quoted price is not available, they are based on reasonable estimates. Since variable factors are reflected in estimating the fair value, different assumptions and factors could result in a different fair value.

(5) Fair values of financial instruments

The carrying amounts of financial instruments presented in the balance sheets, fair values, and differences as of September 30, 2019 and 2018 were as follows.

	Thousands of Yen		
	2019		
	Carrying amount	Fair value	Difference
Assets:			
(1) Cash and deposits	¥ 1,374,435	¥ 1,374,435	¥ –
(2) Notes receivable, trade	7,869	7,869	–
(3) Accounts receivable, trade	360,726	360,726	–
(4) Lease and guarantee deposits	285,377	285,377	–
Total	2,028,408	2,028,408	–
Liabilities:			
(5) Accounts payable, other	377,982	377,982	–
(6) Accrued expenses	11,360	11,360	–
(7) Income taxes payable	21,423	21,423	–
(8) Deposits received	24,620	24,620	–
(9) Long-term debt, including current portion	508,880	500,329	(8,550)
Total	¥ 944,266	¥ 935,716	¥ (8,550)

	Thousands of Yen		
	2018		
	Carrying amount	Fair value	Difference
Assets:			
(1) Cash and deposits	¥ 2,161,520	¥ 2,161,520	¥ –
(2) Notes receivable, trade	13,805	13,805	–
(3) Accounts receivable, trade	219,103	219,103	–
(4) Lease and guarantee deposits	285,377	285,377	–
Total	2,679,807	2,679,807	–
Liabilities:			
(5) Short-term debt	41,620	41,620	–
(6) Accounts payable, other	297,954	297,954	–
(7) Accrued expenses	13,674	13,674	–
(8) Income taxes payable	2,099	2,099	–
(9) Deposits received	20,248	20,248	–
(10) Long-term debt, including current portion	620,000	604,308	(15,691)
Total	¥ 995,595	¥ 979,904	¥ (15,691)

	Thousands of U.S. Dollars		
	2019		
	Carrying amount	Fair value	Difference
Assets:			
(1) Cash and deposits	$ 12,735	$ 12,735	$ –
(2) Notes receivable, trade	72	72	–
(3) Accounts receivable, trade	3,342	3,342	–
(4) Lease and guarantee deposits	2,644	2,644	–
Total	18,795	18,795	–
Liabilities:			
(5) Accounts payable, other	3,502	3,502	–
(6) Accrued expenses	105	105	–
(7) Income taxes payable	198	198	–
(8) Deposits received	228	228	–
(9) Long-term debt, including current portion	4,715	4,636	(79)
Total	$ 8,749	$ 8,670	$ (79)

Footnotes:

a. Method of calculating the fair value of financial instruments

Assets

Cash and deposits, notes receivable and accounts receivable

The carrying amounts of these items approximate their fair values because of their short maturities.

Lease and guarantee deposits

The fair value of lease and guarantee deposits is measured at the present value discounted by the corresponding yield of Japanese government bonds over the expected deposit period based on the lease contract. If the corresponding yield of Japanese government bonds is negative, the fair value is calculated using a discount rate of zero. The carrying amount and fair value of lease and guarantee deposits do not include a portion not expected to be collectible, which is equivalent to the amortized balance of asset retirement obligations.

Liabilities

Short-term debt, accounts payable, accrued expenses, income taxes payable, and deposits received

The carrying amounts of these items approximate their fair values because of their short maturities.

Long-term debt, including current portion

The fair value of long-term debt is measured by discounting the aggregate amounts of principal and interest using an interest rate expected to be applied for a similar new borrowing.

b. Maturity Analysis for monetary claims with maturities

	Thousands of Yen			
	2019			
	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Notes receivable, trade	¥ 7,869	¥ –	¥ –	¥ –
Accounts receivable, trade	360,726	–	–	–
Lease and guarantee deposits	–	285,377	–	–
Total	¥ 368,595	¥ 285,377	¥ –	¥ –

	Thousands of Yen			
	2018			
	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Notes receivable, trade	¥ 13,805	¥ –	¥ –	¥ –
Accounts receivable, trade	219,103	–	–	–
Lease and guarantee deposits	–	285,377	–	–
Total	¥ 232,909	¥ 285,377	¥ –	¥ –

	Thousands of U.S. Dollars			
	2019			
	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Notes receivable, trade	$ 72	$ –	$ –	$ –
Accounts receivable, trade	3,342	–	–	–
Lease and guarantee deposits	–	2,644	–	–
Total	$ 3,415	$ 2,644	$ –	$ –

c. *Maturity Analysis for Short-term and Long-term Debt*

	Thousands of Yen					
	2019					
	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4years through 5 years	Due after 5 years
Long-term debt	¥ 111,120	¥ 151,120	¥ 111,120	¥ 135,520	¥ –	¥ –
Total	¥ 111,120	¥ 151,120	¥ 111,120	¥ 135,520	¥ –	¥ –

	Thousands of Yen					
	2018					
	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4years through 5 years	Due after 5 years
Short-term debt	¥ 41,620	¥ –	¥ –	¥ –	¥ –	¥ –
Long-term debt	111,120	111,120	151,120	111,120	135,520	–
Total	¥ 152,740	¥ 111,120	¥ 151,120	¥ 111,120	¥ 135,520	¥ –

	Thousands of U.S Dollars					
	2019					
	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4years through 5 years	Due after 5 years
Long-term debt	$ 1,029	$ 1,400	$ 1,029	$ 1,255	$ –	$ –
Total	$ 1,029	$ 1,400	$ 1,029	$ 1,255	$ –	$ –

11. SHORT-TERM DEBT AND LONG-TERM DEBT

The weighted-average interest rates applicable to the short-term debt as of September 30, 2019 and 2018 were 1.03% and 1.03%, respectively.

The weighted-average interest rates applicable to the current portion of long-term debt as of September 30, 2019 and 2018 were 1.72% and 1.78%, respectively.

The weighted-average interest rates applicable to the long-term debt as of September 30, 2019 and 2018 were 1.72% and 1.78%, respectively.

12. STOCK OPTIONS

(1) Description of Stock Options

No.	Grantees	Number of shares of Common stock	Date of Grant	Exercise Period
1st	14 employees of the Company	615,000 shares	June 30, 2015	From July 1, 2015 to June 30, 2025
3rd	One Audit & supervisory board member of the Company 63 employees of the Company	1,885,000 shares	February 28, 2018	From February 24, 2020 to February 23, 2028
4th	One director of the Company 36 employees of the Company	1,109,000 shares	January 12, 2019	From January 12, 2021 to January 11, 2029
5th	One director of the Company Two Audit & supervisory board member of the Company	90,000 shares	April 3, 2019	From March 20, 2021 to March 19, 2029

Footnotes:
The number of shares has been restated to reflect a 1,000-for-1 stock split that was effective April 4, 2019.

The service periods of the grantees are not determined.

The conditions for exercising the 1st Stock Options are as follows:

a. The grantees of the stock options shall be in the position of a Director, other officer, an employee, an external cooperator of the Company or any of its subsidiaries at the time of exercise of the stock options, unless otherwise approved by the Board of Directors of the Company.
b. The grantees of the stock options can exercise the rights only if the Company is listed on a stock exchange in Japan or other countries, unless otherwise approved by the Board of Directors of the Company.
c. In case when the right holder is deceased, the stock acquisition rights are not permitted to be inherited, unless otherwise approved by the Board of Directors of the Company.
d. The stock acquisition rights may not be exercised in numbers less than one unit of a stock acquisition right.
e. Other conditions for exercising the stock options shall be set forth in the agreement for allotment of stock options concluded between the Company and the grantees.

The conditions for exercising the 3rd to 5th Stock Options are as follows:

a. The grantees of the stock options shall be in the position of a Director, an Audit & Supervisory Board Member, other officer, an employee, an external cooperator of the Company or any of its subsidiaries at the time of exercise of the stock options, unless otherwise approved by the Board of Directors of the Company.
b. The grantees of the stock options can exercise the rights only if the Company is listed on a stock exchange in Japan or other countries, unless otherwise approved by the Board of Directors of the Company.
c. In case when the right holder is deceased, the stock acquisition rights are not permitted to be inherited, unless otherwise approved by the Board of Directors of the Company.
d. The stock acquisition rights may not be exercised in numbers less than one unit of a stock acquisition right.
e. Other conditions for exercising the stock options shall be set forth in the agreement for allotment of stock options concluded between the Company and the grantees.

(2) Changes in stock options and price information

The following table summarizes the changes in stock options and price information applicable for the years ended September 30, 2019 and 2018.

	Shares		
	1st stock options	3rd stock options	4th stock options
Non-Vested (Number of shares)			
Outstanding as of September 30, 2017	615,000	–	–
Granted	–	1,885,000	–
Forfeited	–	20,000	–
Vested	–	–	–
Outstanding as of September 30, 2018	615,000	1,865,000	–
Granted	–	–	1,109,000
Forfeited	–	15,000	10,000
Vested	–	–	–
Outstanding as of September 30, 2019	615,000	1,850,000	1,099,000
Vested (Number of shares)			
Outstanding as of September 30, 2017	–	–	–
Vested	–	–	–
Exercised	–	–	–
Forfeited	–	–	–
Outstanding as of September 30, 2018	–	–	–
Vested	–	–	–
Exercised	–	–	–
Forfeited	–	–	–
Outstanding as of September 30, 2019	–	–	–
Exercise price (Yen)	¥ 33	¥ 100	603
Fair value at date of grant (Yen)	¥ –	¥ –	–
Exercise price (U.S. Dollars)	$ 0.3	$ 0.9	5.6
Fair value at date of grant (U.S. Dollars)	$ –	$ –	–

	Shares
	5th stock options
Non-Vested (Number of shares)	
Outstanding as of September 30, 2017	–
Granted	–
Forfeited	–
Vested	–
Outstanding as of September 30, 2018	–
Granted	90,000
Forfeited	–
Vested	–
Outstanding as of September 30, 2019	90,000
Vested (Number of shares)	
Outstanding as of September 30, 2017	–
Vested	–
Exercised	–
Forfeited	–
Outstanding as of September 30, 2018	–
Vested	–
Exercised	–
Forfeited	–
Outstanding as of September 30, 2019	–
Exercise price (Yen)	¥ 603
Fair value at date of grant (Yen)	¥ –
Exercise price (U.S. Dollars)	$ 5.6
Fair value at date of grant (U.S. Dollars)	$ –

Footnote: The number of stock options and the exercise price have been restated to reflect a 1,000-for-1 stock split that was effective on April 4, 2019.

(3) Estimation method of fair value of stock options granted

As the Company is an unlisted company as of the date of grant of stock options, fair value per unit of the stock option is estimated based on the estimated intrinsic value per unit. The value of the company's stock that will serve as the basis for calculating intrinsic value per unit is determined upon the results of measurement using the DCF (Discounted Cash Flow) method. The method of estimating the intrinsic value per unit is calculated by deducting the exercise price from the valuation price of the value of the company's stock.

(4) Estimation method of number of stock options vested

Since it is difficult to reasonably estimate the number of stock options that will expire in the future, the number of stock options vested was calculated based solely on historical data for the number of stock options that have actually been forfeited.

(5) Total intrinsic value at the fiscal year end and total intrinsic value at exercise date of stock options exercised during the fiscal year

There were no stock options that were exercised during the fiscal years ended September 30, 2019 and 2018.

	Thousands of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Total intrinsic value	¥ 3,250,606	¥ 1,288,645	$ 30,120

13. INCOME TAXES

The Company is subject to Japanese corporation tax, inhabitants' tax and enterprise tax, which, in the aggregate, resulted in effective statutory tax rates of 30.62% and 34.09% for the years ended September 30, 2019 and 2018, respectively.

The significant components of deferred tax assets and liabilities as of September 30, 2019 and 2018 were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Deferred tax assets:			
Depreciation and amortization	¥ 10,419	¥ 4,336	$ 96
Software	74,417	50,892	689
Tax loss carry forwards	326,355	186,565	3,024
Impairment loss	49,003	–	454
Other	7,395	4,951	68
Subtotal deferred tax assets	467,591	246,746	4,332
Valuation allowance for tax loss carryforwards for tax purposes	(326,355)	–	(3,024)
Valuation allowance for future deductible amounts	(141,235)	–	(1,308)
Subtotal less valuation allowance	(467,591)	(246,267)	(4,332)
Total deferred tax assets	–	479	–
Deferred tax liabilities:			
Income taxes receivable	–	479	–
Total deferred tax liabilities	–	479	–
Net total	¥ –	¥ –	$ –

Information on reconciliations between the normal effective statutory tax rate and the actual effective tax rate is omitted because the Company recognized loss before income taxes for the years ended September 30, 2019 and 2018.

As of September 30, 2019, the Company had tax loss carryforwards aggregating ¥326,355 thousand, which were available to be offset against taxable income in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Years Ending September 30	Thousands of Yen	U.S. Dollars
2020	¥ –	$ –
2021	1,090	10
2022	227	2
2023	8,429	78
2024	47,741	442
2025 and thereafter	268,866	2,491
Total	326,355	3,024

14. SEGMENT INFORMATION

Segment information is omitted as the Company operates a single SaaS business segment.

Supplementary information

(1) Information by product and service

This information is omitted because net sales to external customers of a single product and service segment exceed 90% of the net sales in the statements of income (loss).

(2) Information by geographical area

a. Net sales

This information is omitted because there are no sales to external customers outside Japan.

b. Property and equipment

This information is omitted because there are no property and equipment located outside Japan.

(3) Information by major customer

This information is omitted because no external customer accounted for 10% or more of net sales in the statements of income (loss).

Information about impairment loss of fixed assets by reportable segment

This information is omitted as the Company operates a single segment.

Information about amortization and unamortized balance of goodwill by reportable segment

Not applicable.

Information about gain on bargain purchase by reportable segment

Not applicable.

15. RELATED PARTY TRANSACTIONS

There were no related party transactions to be disclosed for the years ended September 30, 2019 and 2018.

16. PER SHARE INFORMATION

	Yen		U.S. Dollars
	2019	2018	2019
Net assets per share	¥ (45.91)	¥ (21.82)	$ (0.43)
Net loss per share	(25.05)	(7.41)	(0.23)

Footnote:

a. On April 4, 2019, the Company conducted a 1,000-for-1 stock split of its common stock, pursuant to the resolution of the Board of Directors' meeting held on February 13, 2019. Net assets per share and net loss per share were calculated under the assumption that the stock split was conducted at the beginning of the fiscal year ended September 30, 2018.

b. Information on diluted net income per share was omitted since the average market values of the Company's share for the periods were not available as the Company's stock was unlisted, and also since the recorded figures for the fiscal years ended September 30, 2019 and 2018 were net losses.

c. The basis for calculation of net loss per share were as follows: Class A preferred stock, Class B preferred stock and Class C preferred stock have equal rights to common stock in dividends of surplus, therefore the preferred stocks are regarded as common stock as to the calculation of weighted average number of shares.

	Thousands of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Net loss	¥ (840,993)	¥ (230,169)	$ (7,792)
Amount not attributable to common shareholders	–	–	–
Net loss attributable to the common stock	(840,993)	(230,169)	(7,792)
Weighted average number of shares	33,576,106	31,052,994	
Outline of potential common stock excluded from the computation of diluted net income per share due to its non-dilutive effect	**	*	

* 3 types of stock acquisition rights (Number of stock acquisition rights: 3,489).

** 4 types of stock acquisition rights (Number of stock acquisition rights: 3,654).

17. SUBSEQUENT EVENTS

For the year ended September 30, 2019

(1) Stock issuance by way of third-party allotment

The Company resolved at the shareholders' meeting and Board of Directors' meeting held on October 8, 2019 to issue new shares by way of third-party allotment, and has received payment thereof on November 7, 2019. Furthermore, partial amendments to the Articles of Incorporation required for the issuance of the Class D preferred stock were resolved by the shareholders' meeting held on October 8, 2019 (ordinary shareholders, Class A preferred shareholders, Class B preferred shareholders and Class C preferred shareholders).

(i) Class and number of shares issued	1,420,900 shares of Class D preferred stock
(ii) Paid-in amount	¥1,142 per share
(iii) Total paid-in amount	¥1,622,667 thousand
(iv) Increased amount of capital and capital surplus	
Increased amount of capital	¥811,333 thousand
Increased amount of capital reserve	¥811,333 thousand
(v) Allottees and number of shares	
Google International LLC.	1,420,900 shares
(vi) Calculation start date for dividend of new shares	Same as payment date
(vii) Use of funds	Funds will be mainly used for personnel expenses and advertising expenses.

For the year ended September 30, 2018

Not applicable.

Independent Auditor's Report

To the Board of Directors of PLAID, Inc.:

Opinion

We have audited the accompanying financial statements of PLAID, Inc. ("the Company"), which comprise the balance sheets as at September 30, 2020 and 2019, the statements of income (loss), changes in net assets and cash flows for the years then ended, and notes to financial statements, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2020 and 2019, and its financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 19 (2) to the financial statements. The Company resolved at the Board of Directors' meeting held on November 12, 2020 to issue new shares by way of public offering. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Convenience Translation

The U.S. dollar amounts in the accompanying financial statements with respect to the year ended September 30, 2020 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

/S/ Tomomichi Sakai
Designated Engagement Partner
Certified Public Accountant

/S/ Masaya Ariyoshi
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
November 18, 2020

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

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Balance Sheets
PLAID, Inc.
As of September 30, 2020 and 2019

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2020	2019	2020
Current assets:			
Cash and deposits (Note 9 and 11)	¥ 2,091,698	¥ 1,374,435	$ 19,770
Notes receivable, trade (Note 11)	1,918	7,869	18
Accounts receivable, trade (Note 11)	473,230	360,726	4,472
Prepaid expenses	72,792	146,105	688
Other	4,222	3,455	39
Allowance for doubtful receivables	(1,501)	-	(14)
Total current assets	2,642,361	1,892,592	24,975
Property and equipment:			
Buildings	25,992	25,732	245
Accumulated depreciation	(25,797)	(25,732)	(243)
Buildings, net	194	0	1
Tools, furniture and fixtures	115,157	78,099	1,088
Accumulated depreciation	(78,590)	(54,052)	(742)
Tools, furniture and fixtures, net	36,566	24,047	345
Property and equipment, net	36,761	24,047	347
Investments and other assets:			
Investment securities (Note 11 and 13)	104,492	-	987
Lease and guarantee deposits (Note 11)	285,377	285,377	2,697
Total investments and other assets	389,870	285,377	3,684
Total assets	¥ 3,068,993	¥ 2,202,017	$ 29,007

LIABILITIES AND NET ASSETS	Thousands of Yen 2020	Thousands of Yen 2019	Thousands of U.S. Dollars (Note 1) 2020
Current liabilities:			
Short-term debt (Note 11 and 12)	¥ 200,000	¥ -	$ 1,890
Current portion of long-term debt (Note 11)	317,720	111,120	3,003
Accounts payable, other (Note 11)	424,028	377,982	4,007
Accrued expenses (Note 11)	17,711	11,360	167
Income taxes payable (Note 11)	9,953	21,423	94
Deposits received (Note 11)	37,801	24,620	357
Deferred revenue	28,869	18,877	272
Allowance for losses on order received	2,634	6,332	24
Other	46,139	43,726	436
Total current liabilities	1,084,858	615,442	10,253
Long-term liabilities:			
Long-term debt (Note 11 and 12)	380,040	397,760	3,592
Total long-term liabilities	380,040	397,760	3,592
Net assets (Note 8):			
Shareholders' equity			
Common stock	961,321	149,987	9,086
Capital surplus			
Additional paid-in capital	2,921,324	2,109,990	27,611
Total capital surplus	2,921,324	2,109,990	27,611
Retained earnings (Accumulated deficit)	(2,278,551)	(1,071,162)	(21,536)
Total shareholders' equity	1,604,094	1,188,815	15,161
Total net assets	1,604,094	1,188,815	15,161
Total liabilities and net assets	¥ 3,068,993	¥ 2,202,017	$ 29,007

See notes to financial statements.

Statements of Income (Loss)

PLAID, Inc.

For the years ended September 30, 2020 and 2019

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Net sales	¥ 4,007,850	¥2,937,299	$ 37,881
Cost of sales (Note 6)	1,153,096	794,017	10,898
Gross profit	2,854,754	2,143,282	26,982
Selling, general and administrative expenses (Note 6 and 10)	3,934,070	2,677,501	37,184
Operating income (loss)	(1,079,316)	(534,218)	(10,201)
Other income (expenses):			
Interest income	19	19	0
Interest expenses	(10,922)	(10,111)	(103)
fee and commission received	945	-	8
Subsidy income	237	-	2
Listing expenses	(107,813)	(134,579)	(1,019)
Impairment loss (Note 7)	-	(160,037)	-
Stock issuance cost	(8,506)	(349)	(80)
Other, net	260	577	2
Other income (expenses), net	(125,779)	(304,481)	(1,188)
Income (loss) before income taxes	(1,205,095)	(838,700)	(11,390)
Income taxes (Note 15):			
Current	2,292	2,292	21
Total income taxes	2,292	2,292	21
Net income (loss)	¥(1,207,388)	¥ (840,993)	$(11,411)
PER SHARE INFORMATION (Note 18):			
Basic net loss*1	¥ (34.24)	¥ (25.05)	$ (0.32)

*1 Per share figures have been adjusted to reflect a 1,000-for-1 stock splits effective on April 4, 2019.

See notes to financial statements.

Statements of Changes in Net Assets
PLAID, Inc.
For the years ended September 30, 2020 and 2019

	Thousands of Yen						
	Shareholders' equity						
		Capital surplus					
	Common Stock	Additional paid-in capital	Other capital surplus	Total capital surplus	Retained earnings (Accumulated deficit)	Total shareholders' equity	Total Net Assets
Balance at October 1, 2018	100,000	2,060,002	-	2,060,002	(230,169)	1,929,833	1,929,833
Changes during year							
Issuance of new shares	49,987	49,987		49,987		99,975	99,975
Net income (loss)					(840,993)	(840,993)	(840,993)
Total changes during year	49,987	49,987	-	49,987	(840,993)	(741,017)	(741,017)
Balance at September 30, 2019	149,987	2,109,990	-	2,109,990	(1,071,162)	1,188,815	1,188,815
Changes during year							
Issuance of new shares	811,333	811,333		811,333		1,622,667	1,622,667
Net income (loss)					(1,207,388)	(1,207,388)	(1,207,388)
Total changes during year	811,333	811,333	-	811,333	(1,207,388)	415,278	415,278
Balance at September 30, 2020	961,321	2,921,324	-	2,921,324	(2,278,551)	1,604,094	1,604,094

	Thousands of U.S. Dollars (Note 1)						
	Shareholders' equity						
		Capital surplus					
	Common Stock	Additional paid-in capital	Other capital surplus	Total capital surplus	Retained earnings (Accumulated deficit)	Total shareholders' equity	Total Net Assets
Balance at September 30, 2019	1,417	19,943	-	19,943	(10,124)	11,236	11,236
Changes during year							
Issuance of new shares	7,668	7,668		7,668		15,337	15,337
Net income (loss)					(11,411)	(11,411)	(11,411)
Total changes during year	7,668	7,668	-	7,668	(11,411)	3,925	3,925
Balance at September 30, 2020	9,086	27,611	-	27,611	(21,536)	15,161	15,161

See notes to financial statements.

Statements of Cash Flows
PLAID, Inc.
For the years ended September, 30 2020 and 2019

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Cash flows from operating activities:			
Income (loss) before income taxes	¥ (1,205,095)	¥ (838,700)	$ (11,390)
Depreciation and amortization	25,848	52,492	244
Impairment loss	-	160,037	-
Increase (decrease) in allowance for doubtful receivables	1,501	-	14
Increase (decrease) in allowance for losses on order received	(3,698)	(2,498)	(34)
Interest and dividend income	(19)	(19)	(0)
Fee and commission received	(945)	-	(8)
Subsidy income	(237)	-	(2)
Interest expenses	10,922	10,111	103
Listing expenses	107,813	134,579	1,019
Decrease (increase) in notes and accounts receivable, trade	(106,553)	(135,686)	(1,007)
Decrease (increase) in prepaid expenses	73,312	(113,294)	692
Increase (decrease) in accounts payable, other	67,976	52,952	642
Increase (decrease) in accrued consumption taxes	2,409	39,066	22
Other	26,026	29,933	245
Sub total	(1,000,738)	(611,025)	(9,458)
Interest and dividend income received	19	19	0
fee and commission received	945	-	8
Subsidy income received	237	-	2
Interest expenses paid	(10,922)	(10,167)	(103)
Income taxes paid	(2,292)	(2,102)	(21)
Net cash provided by (used in) operating activities	(1,012,751)	(623,276)	(9,572)
Cash flows from investing activities:			
Purchase of investment securities	(104,492)	-	(987)
Purchase of property and equipment	(62,946)	(15,530)	(594)
Proceeds from collection of lease and guarantee deposits	-	35,040	-
Other	2	344	0
Net cash provided by (used in) investing activities	(167,437)	19,854	(1,582)
Cash flows from financing activities:			
Proceeds from short-term debt	200,000	-	1,890
Repayments of short-term debt	-	(41,620)	-
Proceeds from long-term debt	300,000	-	2,835
Repayments of long-term debt	(111,120)	(111,120)	(1,050)
Proceeds from issuance of stock	1,614,161	-	15,256
Proceeds from issuance of shares resulting from exercise of share acquisition rights	-	99,625	-
Payments of listing expenses	(105,590)	(130,549)	(998)
Net cash provided by (used in) financing activities	1,897,450	(183,663)	17,934
Net increase (decrease) in cash and cash equivalents	717,262	(787,084)	6,779
Cash and cash equivalents at beginning of year	1,374,435	2,161,520	12,990
Cash and cash equivalents at end of year (Note 9)	¥ 2,091,698	¥ 1,374,435	$ 19,770

See notes to financial statements.

1. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The accompanying financial statements of PLAID, Inc. (the "Company") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards.

In preparing these financial statements, certain reclassifications and rearrangements have been made to the financial statements issued domestically in order to present them in a format that is more familiar to readers outside Japan.

Japanese yen figures less than one thousand yen are rounded down to the nearest thousand yen and U.S. dollar figures less than one thousand dollars are rounded down to the nearest thousand dollars, except for per share data. The total Japanese yen and U.S. dollars amounts shown in the financial statements and notes do not necessarily agree with the sum of the individual amounts.

The financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and mainly operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥105.80 to $1.00, the rate of exchange as of September 30, 2020. Such translations should not be construed as indications that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. *Securities*—Non-marketable securities classified as other securities are stated at cost as determined by the moving-average method.

b. *Property and Equipment*—Property and equipment are stated at cost. Depreciation of property and equipment is calculated under the declining-balance method based on the estimated useful lives of the assets, with the exception of buildings acquired on or after April 1, 2016, for which the straight-line method is applied. The estimated useful lives of major asset items are as follows:

Buildings:	3-5 years
Tools, furniture and fixtures:	4-15 years

c. *Software*—Software for internal use is amortized using the straight-line method over five years based on the estimated useful life.

d. *Stock Issuance Cost*—Stock issuance cost is expensed when incurred.

e. *Foreign Currency Transactions*—Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at year-end exchange rates with the resulting exchange gain or loss recognized in the statements of income (loss).

f. *Allowance for Doubtful Receivables*—Allowance for doubtful receivables is provided for possible losses arising from bad debt at an amount determined based on the historical default rates for normal receivables, plus an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers.

g. *Allowance for Losses on order received*—In order to provide for possible future losses related to contracts of orders on hand at the end of the fiscal year, those with high probability of generating losses and where it is possible to reasonably estimate the amount of such losses, the estimated amount of losses to be incurred in the future is provided as an allowance for losses on order received.

h. *Cash and Cash Equivalents*—Cash and cash equivalents consist of cash on hand and cash in banks that is readily convertible into cash.

i. *Consumption Taxes*—Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

The following standard and guidance were issued but not yet applied.

For the year ended September 30, 2020
-Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020)
-Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 31, 2020)

(1) Overview
The International Accounting Standards Board ("IASB") and the Financial Accounting Standards Board ("FASB") jointly developed a comprehensive accounting standard for revenue recognition and issued Revenue from Contracts with Customers in May 2014 as IFRS 15 (IASB) and Topic 606 (FASB), respectively. In order to respond to both IFRS 15 and Topic 606 applied from the fiscal years beginning on or after January 1, 2018 and December 15, 2017, the Accounting Standards Board of Japan ("ASBJ") developed a comprehensive accounting standard for revenue recognition and issued it along with implementation guidance.

ASBJ's basic policy in developing the new revenue recognition standards is to first incorporate the core principle of IFRS 15 in the light of improving the international comparability of financial statements and then add additional alternative treatments to the extent that international comparability would not be significantly impaired where any business practices operated in Japan need to be considered.

(2) Scheduled date of application
The Company will apply from the beginning of the year ending September 30, 2022.

(3) Effects of the application of the standards
The effects of the application on the financial statements are currently being assessed.

-Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019)
-Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019)
-Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4, 2019)

(1) Overview
In order to enhance comparability with internationally recognized accounting standards, "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (together, "Fair Value Accounting Standards") were developed and guidance on methods measuring fair value was issued. Fair Value Accounting Standards are applicable to the fair value measurement of the following item:
-Financial instruments in "Accounting Standard for Financial Instruments"

(2) Scheduled date of application
The Company will apply from the beginning of the year ending September 30, 2022.

(3) Effects of the application of the standards
The effects of the application on the financial statements are currently being assessed.

For the year ended September 30, 2019
-Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 30, 2018)
-Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 30, 2018)

(1) Overview
The IASB and the FASB jointly developed a comprehensive accounting standard for revenue recognition and issued Revenue from Contracts with Customers in May 2014 as IFRS 15 (IASB) and Topic 606 (FASB),

respectively. In order to respond to both IFRS 15 and Topic 606 applied from the fiscal years beginning on or after January 1, 2018 and December 15, 2017, the ASBJ developed a comprehensive accounting standard for revenue recognition and issued it along with implementation guidance.

ASBJ's basic policy in developing the new revenue recognition standards is to first incorporate the core principle of IFRS 15 in the light of improving the international comparability of financial statements and then add additional alternative treatments to the extent that international comparability would not be significantly impaired where any business practices operated in Japan need to be considered.

(2) Scheduled date of application
The Company will apply from the beginning of the year ending September 30, 2022.

(3) Effects of the application of the standards
The effects of the application on the financial statements are currently being assessed.

-Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019)
-Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019)
-Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4, 2019)

(1) Overview
In order to enhance comparability with internationally recognized accounting standards, Fair Value Accounting Standards were developed and guidance on methods measuring fair value was issued. Fair Value Accounting Standards are applicable to the fair value measurement of the following item:
-Financial instruments in "Accounting Standard for Financial Instruments"

(2) Scheduled date of application
The Company will apply from the beginning of the year ending September 30, 2022.

(3) Effects of the application of the standards
The effects of the application on the financial statements are currently being assessed.

4. CHANGES IN PRESENTATION METHOD

For the year ended September 30, 2019

(Changes due to adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting")
Upon application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018 (hereinafter, "Statement No. 28")) from the beginning of the fiscal year ended September 30, 2019, the Company changed related notes of deferred tax assets and deferred tax liabilities.
The notes related to tax effect accounting additionally included those described in notes 8 (excluding total amount of valuation reserves) and 9 of "Accounting Standard for Tax Effect Accounting", which are required in paragraphs 3 to 5 of Statement No. 28. However, this additional information corresponding to the fiscal year ended September 30, 2018 is not disclosed, in accordance with the transitional treatments prescribed in paragraph 7 of Statement No. 28.

5. THE AMOUNTS OF DISCOUNTS ON ELECTRONICALLY RECORDED MONETARY CLAIMS

The amount of discounts on electronically recorded monetary claims for the years ended September 30, 2020 and 2019 was as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	2020	2019	2020
The amount of discounts on electronically recorded monetary claims	¥ 30,984	¥ —	$ 292
Total	¥ 30,984	¥ —	$ 292

6. COST OF SALES AND SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

(1) Cost of sales

Major components of cost of sales for the years ended September 30, 2020 and 2019 were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Server costs	¥ 1,020,626	¥ 697,023	$ 9,646
Allowance for losses on order received	2,634	6,332	24
Other	129,835	90,661	1,227
Total	¥ 1,153,096	¥ 794,017	$ 10,898

(2) Selling, general and administrative expenses

Major components by nature and the proportion by function of selling, general and administrative expenses for the years ended September 30, 2020 and 2019 were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Salaries and allowances	¥ 1,511,801	¥ 924,016	$ 14,289
Advertising expenses	831,255	535,604	7,856
Rents	310,709	310,309	2,936
Depreciation and amortization	25,848	52,492	244
Provision of allowance for doubtful receivables	1,501	—	14
Selling expenses	24%	23%	—
General and administrative expenses	76%	77%	—

7. IMPAIRMENT LOSS

The Company recognized impairment loss for the year ended September 30, 2019. The details were as follows:

Application	Category	Location	Thousands of Yen
Business assets	Buildings	Chuo-ku, Tokyo	¥ 82,164
	Tools, furniture and fixtures		37,612
	Software		1,709
	Lease and guarantee deposits		38,551

Footnote:

The Company grouped its business assets as a single cash-generating unit for impairment testing as the Company operates a single SaaS business segment. Since the carrying amounts cannot be expected to be recovered due to the decline in profitability, the carrying amounts were written down to the recoverable amount. As a result, an impairment loss of ¥160,037 thousand was recognized. The recoverable amount of the assets is calculated by using the fair value less costs of disposal.

8. NET ASSETS

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholder's meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria, and accordingly, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year.

Interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the net assets account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of common stock. Under the Companies Act, the total amount of legal reserve and additional paid-in capital may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within net assets under certain conditions upon resolution of the shareholders.

A company may, by a resolution of its Board of Directors, designate an amount not exceeding half of the price of new shares as additional paid-in capital, which is included in capital surplus.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of net assets. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of net assets or deducted directly from stock acquisition rights.

Changes in the number of issued shares for the years ended September 30, 2020 and 2019 were as follows:

For the year ended September 30, 2020

Types of Shares	Number of Shares at October 1, 2019	Increase	Decrease	Number of Shares at September 30, 2020
Issued shares				
Common stock	20,000,000	–	–	20,000,000
Class A preferred stock	4,616,000	–	–	4,616,000
Class B preferred stock	6,056,000	–	–	6,056,000
Class C preferred stock	3,316,000	–	–	3,316,000
Class D preferred stock (Footnote 1)	–	1,420,900	–	1,420,900
Total	33,988,000	1,420,900	–	35,408,900

Footnotes:

1. Increase of 1,420,900 shares in Class D preferred stock was due to issuance of new shares by way of a third-party allotment.

For the year ended September 30, 2019

Types of Shares	Number of Shares at October 1, 2018	Increase	Decrease	Number of Shares at September 30, 2019
Issued shares				
Common stock	20,000	33,968,000	13,988,000	20,000,000
(Footnote 2, 4 and 5)				
Class A preferred stock	4,616	4,616,000	4,616	4,616,000
(Footnote 2, 3 and 5)				
Class B preferred stock	5,047	6,057,009	6,056	6,056,000
(Footnote 1, 2, 3 and 5)				
Class C preferred stock	3,316	3,316,000	3,316	3,316,000
(Footnote 2, 3 and 5)				
Total	32,979	47,957,009	14,001,988	33,988,000

Footnotes:

1. Of the increase in Class B preferred stock, 1,009 shares were due to the exercise of stock acquisition rights.
2. On March 20, 2019, of the increase in common stock, 13,988 shares were due to the transactions that the Company acquired all the Class A preferred stock, Class B preferred stock and Class C preferred stock as treasury stock, and in exchange issued common stock to the holders of those preferred stock at a ratio of one to one, pursuant to the resolution of the Board of Directors on February 13, 2019, based on its articles of incorporation.
3. On March 20, 2019 all the Class A preferred stock, Class B preferred stock and Class C preferred stock the Company acquired were retired by a resolution of the Board of Directors dated March 19, 2019, pursuant to Article 178 of the Companies Act.
4. Of the increase in common stock, 33,954,012 shares were due to a stock split of 1,000 shares per common stock on April 4, 2019.
5. On July 1, 2019, by the agreement between the Company and all of its shareholders, the Company converted 13,988,000 shares of common stock into 4,616,000 shares of Class A preferred stock, 6,056,000 shares of Class B preferred stock and 3,316,000 shares of Class C preferred stock, respectively.

The number of stock acquisition rights for the year ended September 30, 2019 was as follows:

For the year ended September 30, 2019

			Number of shares to be issued				Thousands of Yen
Company	Description	Type of shares to be Issued	Number of shares at October 1, 2018	Increase	Decrease	Number of shares at September 30, 2019	Balance at September 30, 2019
Reporting company	Second series stock acquisition rights	Class B preferred stock	1,009	–	1,009	–	–
Total		–	1,009	–	1,009	–	–

Footnotes:

1. Decrease in second series stock acquisition rights is due to the exercise of stock acquisition rights.

9. CASH AND CASH EQUIVALENTS

Reconciliations of “cash and cash equivalents” and “cash and deposits” in the balance sheets as of September 30, 2020 and 2019 were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Cash and deposits	¥ 2,091,698	¥ 1,374,435	$ 19,770
Cash and cash equivalents	¥ 2,091,698	¥ 1,374,435	$ 19,770

10. LEASE TRANSACTIONS

(1) Finance leases
Not applicable.

(2) Operating leases
Future minimum lease payments under non-cancelable operating leases as of September 30, 2020 and 2019 were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Due within one year	¥ 305,981	¥ 305,981	$ 2,892
Due after one year	71,395	377,377	674
Total	¥ 377,377	¥ 683,358	$ 3,566

11. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Company policy for financial instruments
The Company limits fund management to short-term deposits and does not enter into any derivative contracts. In addition, the Company raises funds through borrowings from financial institutions, including banks.

(2) Nature and extent of risks arising from financial instruments
Notes receivable and accounts receivable are exposed to customer credit risk.
Lease and guarantee deposits are mainly related to a lease agreement of the Company’s headquarter office and exposed to counterparty’s credit risk.
Investment securities are mainly stocks of companies with which the Company has a business relationship, and unlisted stocks exposed to risks of deterioration of the financial condition of issuers.
Accounts payable, accrued expenses, income taxes payable and deposits received are due within one year and exposed to liquidity risk.
Borrowings are primarily for working capital and capital investments. Borrowings with variable interest rates are exposed to interest rate fluctuation risk.

(3) Risk management system for financial instruments
The Company manages credit risk in accordance with internal customer credit management rules and mitigates such risk by monitoring the payment terms, outstanding balances and financial condition of counterparties.
The Company manages liquidity risk by preparing and updating internal fund management plans.
In addition, the Company maintains a certain level of liquidity on hand.
The Company manages market risk, in particular, fluctuation risk of borrowing interest rate, by regularly monitoring the market interest rate.
The Company manages risk of deterioration on financial condition of unlisted companies which the Company invests in, by regularly monitoring the financial status of issuers.

(4) Supplementary information on fair value of financial instruments
Fair values of financial instruments are based on the quoted price in active markets. If a quoted price is not available, they are based on reasonable estimates. Since variable factors are reflected in estimating the fair value, different assumptions and factors could result in a different fair value.

(5) Fair values of financial instruments
The carrying amounts of financial instruments presented in the balance sheets, fair values, and differences as of September 30, 2020 and 2019 were as follows.

	Thousands of Yen		
	2020		
	Carrying amount	Fair value	Difference
Assets:			
(1) Cash and deposits	¥ 2,091,698	¥ 2,091,698	¥ –
(2) Notes receivable, trade	1,918	1,918	–
(3) Accounts receivable, trade	473,230		
Allowance for doubtful receivables(*)	(1,501)		
	471,728	471,728	–
(4) Lease and guarantee deposits	285,377	285,377	–
Total	2,850,723	2,850,723	–
Liabilities:			
(5) Short-term debt	200,000	200,000	–
(6) Accounts payable, other	424,028	424,028	–
(7) Accrued expenses	17,711	17,711	–
(8) Income taxes payable	9,953	9,953	–
(9) Deposits received	37,801	37,801	–
(10) Long-term debt, including current portion	697,760	693,023	Δ4,736
Total	¥ 1,387,255	¥ 1,382,518	¥ Δ4,736

* Allowance for doubtful receivables is deducted from accounts receivable, trade.

	Thousands of Yen					
	2019					
	Carrying amount		Fair value		Difference	
Assets:						
(1) Cash and deposits	¥	1,374,435	¥	1,374,435	¥	–
(2) Notes receivable, trade		7,869		7,869		–
(3) Accounts receivable, trade		360,726		360,726		–
(4) Lease and guarantee deposits		285,377		285,377		–
Total		2,028,408		2,028,408		–
Liabilities:						
(5) Accounts payable, other		377,982		377,982		–
(6) Accrued expenses		11,360		11,360		–
(7) Income taxes payable		21,423		21,423		–
(8) Deposits received		24,620		24,620		–
(9) Long-term debt, including current portion		508,880		500,329		(8,550)
Total	¥	944,266	¥	935,716	¥	(8,550)

	Thousands of U.S. Dollars					
	2020					
	Carrying amount		Fair value		Difference	
Assets:						
(1) Cash and deposits	$	19,770	$	19,770	$	–
(2) Notes receivable, trade		18		18		–
(3) Accounts receivable, trade		4,472				
Allowance for doubtful receivables(*)		(14)				
		4,458		4,458		–
(4) Lease and guarantee deposits		2,697		2,697		–
Total		26,944		26,944		–
Liabilities:						
(4) Short-term debt		1,890		1,890		–
(5) Accounts payable, other		4,007		4,007		–
(6) Accrued expenses		167		167		–
(7) Income taxes payable		94		94		–
(8) Deposits received		357		357		–
(9) Long-term debt, including current portion		6,595		6,550		Δ44
Total	$	13,112	$	13,067	$	Δ44

* Allowance for doubtful receivables is deducted from accounts receivable, trade.

Footnotes:

a. *Method of calculating the fair value of financial instruments*

Assets

Cash and deposits, notes receivable and accounts receivable

The carrying amounts of these items approximate their fair values because of their short maturities.

Lease and guarantee deposits

The fair value of lease and guarantee deposits is measured at the present value discounted by the corresponding yield of Japanese government bonds over the expected deposit period based on the lease contract. If the corresponding yield of Japanese government bonds is negative, the fair value is calculated using a discount rate of zero.

Liabilities

Short-term debt, accounts payable, accrued expenses, income taxes payable, and deposits received

The carrying amounts of these items approximate their fair values because of their short maturities.

Long-term debt, including current portion

The fair value of long-term debt is measured by discounting the aggregate amounts of principal and interest using an interest rate expected to be applied for a similar new borrowing.

b. *Financial instruments whose fair value are not reliably determinable*

Financial instruments which do not have quoted market prices and whose fair values are not reliably determinable are not included in the table above. The carrying amount of such financial instruments as of September 30, 2020 and 2019 was as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Unlisted stocks	¥ 104,492	¥ –	$ 987

c. *Maturity Analysis for monetary claims with maturities*

	Thousands of Yen			
	2020			
	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Notes receivable, trade	¥ 1,918	¥ –	¥ –	¥ –
Accounts receivable, trade	473,230	–	–	–
Lease and guarantee deposits	–	285,377	–	–
Total	¥ 475,149	¥ 285,377	¥ –	¥ –

	Thousands of Yen			
	2019			
	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Notes receivable, trade	¥ 7,869	¥ –	¥ –	¥ –
Accounts receivable, trade	360,726	–	–	–
Lease and guarantee deposits	–	285,377	–	–
Total	¥ 368,595	¥ 285,377	¥ –	¥ –

	Thousands of U.S. Dollars			
	2020			
	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Notes receivable, trade	$ 18	$ –	$ –	$ –
Accounts receivable, trade	4,472	–	–	–
Lease and guarantee deposits	–	2,697	–	–
Total	$ 4,491	$ 2,697	$ –	$ –

d. Maturity Analysis for Short-term and Long-term Debt

	Thousands of Yen					
	2020					
	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term debt	¥ 200,000	¥ –	¥ –	¥ –	¥ –	¥ –
Long-term debt	317,720	244,520	135,520	–	–	–
Total	¥ 517,720	¥ 244,520	¥ 135,520	¥ –	¥ –	¥ –

	Thousands of Yen					
	2019					
	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Long-term debt	¥ 111,120	¥ 151,120	¥ 111,120	¥ 135,520	¥ –	¥ –
Total	¥ 111,120	¥ 151,120	¥ 111,120	¥ 135,520	¥ –	¥ –

	Thousands of U.S Dollars					
	2020					
	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term debt	$ 1,890	$ –	$ –	$ –	$ –	$ –
Long-term debt	3,003	2,311	1,280	–	–	–
Total	$ 4,893	$ 2,311	$ 1,280	$ –	$ –	$ –

12. SHORT-TERM DEBT AND LONG-TERM DEBT

The weighted-average interest rates applicable to the short-term debt as of September 30, 2020 and 2019 were 1.93% and 1.03%, respectively.

The weighted-average interest rates applicable to the current portion of long-term debt as of September 30, 2020 and 2019 were 1.81% and 1.72%, respectively.

The weighted-average interest rates applicable to the long-term debt as of September 30, 2020 and 2019 were 1.64% and 1.72%, respectively.

13. SECURITIES

Investment securities of ¥104,492 thousand ($987 thousand) as of September 30, 2020 are unlisted stocks. The differences between the carrying amounts and the fair values of the investment securities are not provided since there are no quoted market prices and the fair values cannot be reliably determined.

14. STOCK OPTIONS

(1) Description of Stock Options

No.	Grantees	Number of shares of Common stock	Date of Grant	Exercise Period
1st	14 employees of the Company	615,000 shares	June 30, 2015	From July 1, 2015 to June 30, 2025
3rd	One Audit & supervisory board member of the Company 63 employees of the Company	1,885,000 shares	February 28, 2018	From February 24, 2020 to February 23, 2028
4th	One director of the Company 36 employees of the Company	1,109,000 shares	January 12, 2019	From January 12, 2021 to January 11, 2029
5th	One director of the Company Two Audit & supervisory board member of the Company	90,000 shares	April 3, 2019	From March 20, 2021 to March 19, 2029
6th	115 employees of the Company	627,000 shares	August 12, 2020	From August 12, 2022 to August 11, 2030

Footnotes:
The number of shares has been restated to reflect a 1,000-for-1 stock split that was effective on April 4, 2019.

The service periods of the grantees are not determined.

The conditions for exercising the 1st Stock Options are as follows:

a. The grantees of the stock options shall be in the position of a Director, other officer, an employee, an external cooperator of the Company or any of its subsidiaries at the time of exercise of the stock options, unless otherwise approved by the Board of Directors of the Company.
b. The grantees of the stock options can exercise the rights only if the Company is listed on a stock exchange in Japan or other countries, unless otherwise approved by the Board of Directors of the Company.
c. In case when the right holder is deceased, the stock acquisition rights are not permitted to be inherited, unless otherwise approved by the Board of Directors of the Company.
d. The stock acquisition rights may not be exercised in numbers less than one unit of a stock acquisition right.
e. Other conditions for exercising the stock options shall be set forth in the agreement for allotment of stock options concluded between the Company and the grantees.

The conditions for exercising the 3rd to 6th Stock Options are as follows:

a. The grantees of the stock options shall be in the position of a Director, an Audit & Supervisory Board Member, other officer, an employee, an external cooperator of the Company or any of its subsidiaries at the time of exercise of the stock options, unless otherwise approved by the Board of Directors of the Company.
b. The grantees of the stock options can exercise the rights only if the Company is listed on a stock exchange in Japan or other countries, unless otherwise approved by the Board of Directors of the Company.
c. In case when the right holder is deceased, the stock acquisition rights are not permitted to be inherited, unless otherwise approved by the Board of Directors of the Company.
d. The stock acquisition rights may not be exercised in numbers less than one unit of a stock acquisition right.
e. Other conditions for exercising the stock options shall be set forth in the agreement for allotment of stock options concluded between the Company and the grantees.

(2) Changes in stock options and price information

The following table summarizes the changes in stock options and price information applicable for the years ended September 30, 2020 and 2019.

	Shares		
	1st stock options	3rd stock options	4th stock options
Non-Vested (Number of shares)			
Outstanding as of September 30, 2018	615,000	1,865,000	–
Granted	–	–	1,109,000
Forfeited	–	15,000	10,000
Vested	–	–	–
Outstanding as of September 30, 2019	615,000	1,850,000	1,099,000
Granted	–	–	–
Forfeited	63,000	100,000	10,000
Vested	–	–	–
Outstanding as of September 30, 2020	552,000	1,750,000	1,089,000
Vested (Number of shares)			
Outstanding as of September 30, 2018	–	–	–
Vested	–	–	–
Exercised	–	–	–
Forfeited	–	–	–
Outstanding as of September 30, 2019	–	–	–
Vested	–	–	–
Exercised	–	–	–
Forfeited	–	–	–
Outstanding as of September 30, 2020	–	–	–
Exercise price (Yen)	¥ 33	¥ 100	603
Fair value at date of grant (Yen)	¥ –	¥ –	–
Exercise price (U.S. Dollars)	$ 0.3	$ 0.9	5.7
Fair value at date of grant (U.S. Dollars)	$ –	$ –	–

	Shares	
	5th stock options	6th stock options
Non-Vested (Number of shares)		
Outstanding as of September 30, 2018	–	–
Granted	90,000	–
Forfeited	–	–
Vested	–	–
Outstanding as of September 30, 2019	90,000	–
Granted	–	627,000
Forfeited	–	3,000
Vested	–	–
Outstanding as of September 30, 2020	90,000	624,000
Vested (Number of shares)		
Outstanding as of September 30, 2018	–	–
Vested	–	–
Exercised	–	–
Forfeited	–	–
Outstanding as of September 30, 2019	–	–
Vested	–	–
Exercised	–	–
Forfeited	–	–
Outstanding as of September 30, 2020	–	–
Exercise price (Yen)	¥ 603	¥ 1,142
Fair value at date of grant (Yen)	¥ –	¥ –
Exercise price (U.S. Dollars)	$ 5.7	$ 10.8
Fair value at date of grant (U.S. Dollars)	$ –	$ –

Footnote: The number of stock options and the exercise price have been restated to reflect a 1,000-for-1 stock split that was effective on April 4, 2019.

(3) Estimation method of fair value of stock options granted

As the Company is an unlisted company as of the date of grant of stock options, fair value per unit of the stock option is estimated based on the estimated intrinsic value per unit. The value of the company’s stock that will serve as the basis for calculating intrinsic value per unit is determined upon the results of measurement using the DCF (Discounted Cash Flow) method. The method of estimating the intrinsic value per unit is calculated by deducting the exercise price from the valuation price of the value of the company’s stock.

(4) Estimation method of number of stock options vested

Since it is difficult to reasonably estimate the number of stock options that will expire in the future, the number of stock options vested was calculated based solely on historical data for the number of stock options that have actually been forfeited.

(5) Total intrinsic value at the fiscal year end and total intrinsic value at exercise date of stock options exercised during the fiscal year

There were no stock options that were exercised during the fiscal years ended September 30, 2020 and 2019.

	Thousands of Yen		Thousands of U.S . Dollars
	2020	2019	2020
Total intrinsic value	¥ 2,977,162	¥ 3,250,606	$ 28,139

15. INCOME TAXES

The Company is subject to Japanese corporation tax, inhabitants’ tax and enterprise tax, which, in the aggregate, resulted in effective statutory tax rates of 30.62% and 30.62% for the years ended September 30, 2020 and 2019, respectively.

The significant components of deferred tax assets and liabilities as of September 30, 2020 and 2019 were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Deferred tax assets:			
Depreciation and amortization	¥ 16,646	¥ 10,419	$ 157
Software	109,339	74,417	1,033
Tax loss carry forwards	669,121	326,355	6,324
Impairment loss	36,752	49,003	347
Other	7,140	7,395	67
Subtotal deferred tax assets	839,000	467,591	7,930
Valuation allowance for tax loss carryforwards for tax purposes	(669,121)	(326,355)	(6,324)
Valuation allowance for future deductible amounts	(169,879)	(141,235)	(1,605)
Subtotal less valuation allowance	(839,000)	(467,591)	(7,930)
Total deferred tax assets	–	–	–
Net total	¥ –	¥ –	$ –

Information on reconciliations between the normal effective statutory tax rate and the actual effective tax rate is omitted because the Company recognized loss before income taxes for the years ended September 30, 2020 and 2019.

As of September 30, 2020, the Company had tax loss carryforwards aggregating ¥669,121 thousand, which were available to be offset against taxable income in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending September 30	Thousands of Yen	U.S. Dollars
2021	¥ 1,090	$ 10
2022	227	2
2023	8,429	79
2024	47,741	451
2025	50,060	473
2026 and thereafter	561,572	5,307
Total	669,121	6,324

As of September 30, 2019, the Company had tax loss carryforwards aggregating ¥326,355 thousand, which were available to be offset against taxable income in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Years Ending September 30	Thousands of Yen
2020	¥ –
2021	1,090
2022	227
2023	8,429
2024	47,741
2025 and thereafter	268,866
Total	326,355

16. SEGMENT INFORMATION

Segment information is omitted as the Company operates a single SaaS business segment.

Supplementary information

(1) Information by product and service

This information is omitted because net sales to external customers of a single product and service segment exceed 90% of the net sales in the statements of income (loss).

(2) Information by geographical area

a. Net sales

This information is omitted because there are no sales to external customers outside Japan.

b. Property and equipment

This information is omitted because there are no property and equipment located outside Japan.

(3) Information by major customer

This information is omitted because no external customer accounted for 10% or more of net sales in the statements of income (loss).

Information about impairment loss of fixed assets by reportable segment

This information is omitted as the Company operates a single segment.

Information about amortization and unamortized balance of goodwill by reportable segment

Not applicable.

Information about gain on bargain purchase by reportable segment

Not applicable.

17. RELATED PARTY TRANSACTIONS

There were no related party transactions to be disclosed for the years ended September 30, 2020 and 2019.

18. PER SHARE INFORMATION

	Yen		U.S. Dollars
	2020	2019	2020
Net assets per share	¥ (78.17)	¥ (45.91)	$ (0.74)
Net loss per share	(34.24)	(25.05)	(0.32)

Footnote:

a. On April 4, 2019, the Company conducted a 1,000-for-1 stock split of its common stock, pursuant to the resolution of the Board of Directors' meeting held on February 13, 2019. Net assets per share and net loss per share were calculated under the assumption that the stock split was conducted at the beginning of the fiscal year ended September 30, 2019.

b. Information on diluted net income per share was omitted since the average market values of the Company's share for the periods were not available as the Company's stock was unlisted, and also since the recorded figures for the fiscal years ended September 30, 2020 and 2019 were net losses.

c. The basis for calculation of net loss per share were as follows: Class A preferred stock, Class B preferred stock, Class C preferred stock and Class D preferred stock have equal rights to common stock in dividends of surplus, therefore the preferred stocks are regarded as common stock as to the calculation of weighted average number of shares.

	Thousands of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Net loss	¥ (1,207,388)	¥ (840,993)	$ (11,411)
Amount not attributable to common shareholders	–	–	–
Net loss attributable to the common stock	(1,207,388)	(840,993)	(11,411)
Weighted average number of shares	35,265,257	33,576,106	
Outline of potential common stock excluded from the computation of diluted net income per share due to its non-dilutive effect	**	*	

* 4 types of stock acquisition rights (Number of stock acquisition rights: 3,654).
** 5 types of stock acquisition rights (Number of stock acquisition rights: 4,105).

19. SUBSEQUENT EVENTS

For the year ended September 30, 2020

(1) Acquisition and retirement of preferred stock

On October 2, 2020, the Company acquired all the Class A preferred stock, Class B preferred stock, Class C preferred stock and Class D preferred stock as treasury stock, and in exchange issued common stock to the holders of those preferred stock, pursuant to the resolution of the Board of Directors on September 16, 2020, under the acquisition provision set forth in its articles of incorporation. Also, on October 2, 2020, all the Class A preferred stock, Class B preferred stock, Class C preferred stock and Class D preferred stock the Company had acquired were retired, pursuant to Article 178 of the Companies Act.

The overview of exchange of preferred stock to common stock was as follows:

a. Number of shares of preferred stock acquired and retired

Class A preferred stock	4,616,000 shares
Class B preferred stock	6,056,000 shares
Class C preferred stock	3,316,000 shares
Class D preferred stock	1,420,900 shares

b. Number of shares of common stock issued as a result of the exchange

Common stock	15,408,900 shares

c. Number of shares of issued common stock after the issuance of common stock

Common stock	35,408,900 shares

(2) Stock issuance by way of public offering

The Company plans to list its shares on the Mothers section of the Tokyo Stock Exchange on December 17, 2020. In connection with the listing, the Company resolved at the Board of Directors' meeting held on November 12, 2020 to issue new shares by way of public offering as follows:

1) Type and number of shares to be issued	Common stock of the Company: 1,522,000 shares
2) Total allotment price	To be determined at the Board of Directors' meeting held on November 30, 2020.
3) Amounts of increase in common stock and additional paid-in capital	Amounts of common stock to be increased shall be one-half of the maximum amounts of capital to be increased calculated in accordance with Article 14, paragraph (1) of Regulation on Corporate Accounting, which is rounded up to the nearest yen. Amounts of additional paid-in capital to be increased shall be the maximum amounts of capital to be increased less the amounts of common stock to be increased.
4) Method of offering	Domestic offering and international offering will be conducted simultaneously. (1) Domestic offering All domestic offering shares shall be underwritten and purchased jointly and severally by Mizuho Securities Co., Ltd. and BofA Securities Japan Co., Ltd., Nomura Securities Co., Ltd., SBI SECURITIES Co., Ltd., Monex, Inc., Rakuten Securities, Inc., CREDIT SUISSE SECURITIES (JAPAN) LIMITED, IwaiCosmo Securities Co., Ltd., OKASAN SECURITIES GROUP INC., Daiwa Securities Co. Ltd., Tokai Tokyo Securities Co., Ltd., Kyokuto Securities Co., Ltd. and Marusan Securities Co., Ltd. The underwriting price shall be determined at the same time as the issue price, and if the underwriting price is less than the amounts to be paid for the offered shares, domestic offering will be cancelled. If domestic offering is canceled, international offering shall also be cancelled. (2) International offering All international offering shares shall be underwritten and purchased severally by Merrill Lynch International and Mizuho International plc, who are the international joint lead managers. If the international offering is cancelled, the domestic offering shall also be cancelled.
5) Allotment price	To be determined. After determining the amounts to be paid for the offered shares, the Company will offer a tentative price range, which is higher than the amounts to be paid for the offered shares, and will determine the allotment price on December 7, 2020, considering the demand for the shares based on the tentative price range and the risk of price fluctuations up to the listing date.
6) Application Period (Domestic)	December 8, 2020 through December 11, 2020.
7) Round lot	100 shares
8) Payment date	December 16, 2020

9) Delivery date	December 17, 2020
10) Use of proceeds	The Company plans to use the funds mainly for infrastructure costs of functional enhancement and stable operation of our system, recruiting expenses for growth and personnel expenses additionally incurred by an increase in the number of employees.

For the year ended September 30, 2019

(1) Stock issuance by way of third-party allotment

The Company resolved at the shareholders' meeting and Board of Directors' meeting held on October 8, 2019 to issue new shares by way of third-party allotment, and has received payment thereof on November 7, 2019. Furthermore, partial amendments to the Articles of Incorporation required for the issuance of the Class D preferred stock were resolved by the shareholders' meeting held on October 8, 2019 (ordinary shareholders, Class A preferred shareholders, Class B preferred shareholders and Class C preferred shareholders).

(i) Class and number of shares issued	1,420,900 shares of Class D preferred stock
(ii) Paid-in amount	¥1,142 per share
(iii) Total paid-in amount	¥1,622,667 thousand
(iv) Increased amount of capital and capital surplus	
Increased amount of capital	¥811,333 thousand
Increased amount of capital reserve	¥811,333 thousand
(v) Allottees and number of shares	
Google International LLC.	1,420,900 shares
(vi) Calculation start date for dividend of new shares	Same as payment date
(vii) Use of funds	Funds will be mainly used for personnel expenses and advertising expenses.

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ISSUER

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14,339,000 Shares

PLAID, Inc.

Common Stock

OFFERING CIRCULAR

December 7, 2020