



Consolidated Financial Results for the 2nd Quarter of the Fiscal Year Ending September 30, 2023 (Japanese GAAP)

May 11, 2023

Company Name: PLAID, Inc.

Listing: Tokyo Stock Exchange

Securities Code: 4165

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Scheduled date to file quarterly securities report: May 11, 2023

Scheduled date to commence dividend payment: —

Preparation of supplementary materials for quarterly results: Yes

Holding of financial results meeting: Yes (For institutional investors and securities analysts)

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

1. Consolidated Financial Results for the 2nd Quarter of the Fiscal Year Ending September 30, 2023 (from October 1, 2022 to March 31, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes)

	Net sales		Adjusted operating income (loss)		Operating income (loss)		Ordinary income (loss)		Net income (loss) attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended March 31, 2023	4,100	13.4	(43)	—	(209)	—	(220)	—	(267)	—
March 31, 2022	3,616	—	(223)	—	(303)	—	(351)	—	(340)	—

Notes: 1. Comprehensive income Six months ended March 31, 2023 (302) millions of yen (—%) Six months ended March 31, 2022 (354) millions of yen (—%)

2. Adjusted operating income = operating income + amortization of goodwill + stock-based compensation expenses + other one-off expenses

	Net income (loss) per share	Diluted income (loss) per share
	Yen	Yen
Six months ended March 31, 2023	(6.88)	—
March 31, 2022	(8.92)	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of March 31, 2023	6,692	4,171	62.0
September 30, 2022	7,091	4,070	57.2

Reference: Equity As of March 31, 2023 4,148millions of yen As of September 30, 2022 4,052millions of yen

2. Dividends

	Dividend per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended September 30, 2022	—	0.00	—	0.00	0.00
Fiscal year ending September 30, 2023	—	0.00			
Fiscal year ending September 30, 2023 (forecast)			—	0.00	0.00

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

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

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

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

2. Adjusted operating income = operating income + amortization of goodwill + stock-based compensation expenses + other one-off expenses

Notes on consolidated financial statements:

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

One new company: agito, Inc.

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

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

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

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

c. Changes in accounting estimates: None

d. Restatement: None

(4) Number of issued shares (common shares)

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

As of March 31, 2023	39,185,574shares	As of September 30, 2022	38,606,900shares
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b. Number of treasury shares at the end of the period

As of March 31, 2023	137shares	As of September 30, 2022	63shares
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c. Average number of outstanding shares during the period (cumulative quarterly)

As of March 31, 2023	38,928,473shares	As of March 31, 2022	38,118,272shares
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* Quarterly earnings reports are not subject to quarterly reviews by certified public accountants or audit firms.

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

Disclaimer regarding forward-looking statements, etc.

The earnings forecasts and other forward-looking statements contained in this document are based on information currently available to the Company and on certain assumptions deemed reasonable by the Company, and as such, are no guarantee of future performance. Please note that actual earnings, etc. may differ significantly due to a variety of factors.

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1. Qualitative Information regarding Results for the Period

(1) Explanation of Operating Results

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

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

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

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

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

During the first half of the year ending September 30, 2023, the Group made organizational changes and increased its workforce to strengthen sales of KARTE, and also took steps to further expand its business domain.

As a result, the Group’s ARR*⁶ for the first half was 7,293 million yen. Meanwhile, the Group’s financial results for the same period were net sales of 4,100 million yen (up 13.4% from the same quarter of the previous year), an operating loss of 209 million yen (303 million yen in the same quarter of the previous year), an ordinary loss of 220 million yen (351 million yen in the same quarter of the previous year), and a net loss attributable to the parent company of 267 million yen (340 million yen in the same quarter of the previous year).

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

Notes:

1. CX refers to customer experience. It is generally defined as the experience that makes customers feel good, or in other words, the value customers can obtain from the experience.
2. The term cloud here means cloud computing, which is a general term for the provision of software and other systems as a service via the internet.
3. Consumers refers to all of the general, unspecified number of people in the world, while users refers to the people to whom companies provide their products and services to.
4. PV stands for page views. It refers to the number of times a particular page on a website is opened. It is an indicator used to measure how much a website is being viewed.
5. UU stands for unique users. It refers to the number of distinct individuals who visited a particular website or accessed a particular smartphone app during any given period, regardless of how often that action occurs during the relevant period.
6. ARR stands for annual recurring revenue. It is calculated by multiplying the monthly subscription revenue at the end of each quarter by 12. It is a performance indicator for net sales, which are expected to be obtained only from the existing subscription contracts during the 12 months starting from the month following the end of year, based on the assumption that all existing subscriptions will be renewed with the same conditions at the time of renewal.

(2) Explanation of Financial Position

Assets

Current assets as of March 31, 2023 were 4,570 million yen, down 578 million yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 853 million yen in cash and deposits due to the advance repayment of long-term loans. Non-current assets were 2,121 million yen, up 179 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase in goodwill of 113 million yen.

As a result, total assets were 6,692 million yen, down 398 million yen from the end of the previous consolidated fiscal year.

Liabilities

Current liabilities as of March 31, 2023 were 1,668 million yen, down 213 million yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 278 million yen in current portion of long-term debt. Non-current assets were 851 million yen, down 287 million yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 275 million yen in long-term debt.

As a result, total liabilities were 2,520 million yen, down 500 million yen from the end of the previous consolidated fiscal year.

Net assets

Total net assets as of March 31, 2023 were 4,171 million yen, up 101 million yen from the end of the previous consolidated fiscal year. This was mainly due to increases of 195 million yen in both common stock and capital surplus, while a net loss attributable to parent company shareholders of 267 million yen was posted.

As a result, the equity-to-asset ratio was 62.0% (57.2% as of September 30, 2022).

(3) Explanation of Cash Flows

Cash and cash equivalents (hereinafter, funds) as of March 31, 2023 were 3,386 million yen, down 853 million yen from September 30, 2022. This was mainly due to factors such as the receipts of guarantee deposits and proceeds of long-term debt, despite loss before income taxes, a decrease in contract liabilities, repayment of short-term debt, and repayment of long-term debt.

The status of cash flow and their factors for the first half of the year are as follows:

Cash flow from operating activities

Funds used in operating activities was 221 million yen (an outflow of 583 million yen in the same quarter of the previous year). This was mainly due to the recording of a quarterly net loss before income taxes of 266 million yen as a result of upfront investments such as an increase in personnel expenses, and expenditure due to a decrease in contract liabilities of 156 million yen.

Cash flow from investing activities

Funds used in investment activities was 67 million yen (an outflow of 92 million yen in the same quarter of the previous year). This was mainly due to expenditure of 19 million yen for the purchase of property and equipment, and expenditure of 49 million yen for the purchase of shares of subsidiaries resulting in changes in the scope of consolidation.

Cash flow from financing activities

Funds used in financing activities was 563 million yen (an inflow of 1,220 million yen in the same quarter of the previous year). This was mainly due to proceeds from long-term debt of 680 million yen and proceeds from the receipts of guarantee deposits of 300 million, while expenditure from the repayment of short-term debt was 202 million yen and from the repayment of long-term debt was 1,378 million yen.

(4) Explanation of Forward-Looking Information such as Consolidated Earnings Forecasts

Consolidated financial results for the second quarter were largely in line with original projections, so we have not revised the previously announced earnings forecasts for the full year.

2. Quarterly Consolidated Financial Statements and Significant Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of September 30, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	4,240,577	3,386,901
Notes and accounts receivable - trade	710,444	816,384
Other	197,826	367,463
Total current assets	5,148,848	4,570,749
Non-current assets		
Property and equipment	60,814	61,529
Intangible non-current assets		
Goodwill	1,444,600	1,558,599
Total intangible non-current assets	1,444,600	1,558,599
Investments and other assets		
Investment securities	110,395	64,603
Lease and guarantee deposits	310,218	310,429
Long-term loans to employees	16,414	5,320
Long-term loans to executives	—	10,007
Deferred tax assets	—	24,910
Other	10	86,175
Total investments and other assets	437,038	501,447
Total non-current assets	1,942,452	2,121,576
Total assets	7,091,301	6,692,326
Liabilities		
Current liabilities		
Accounts payable	5,632	10,352
Short-term debt	200,000	6,664
Current portion of long-term debt	513,076	234,708
Accounts payable - other	456,581	526,523
Income taxes payable	32,272	43,042
Contract liabilities	396,699	240,908
Allowance for losses on orders received	9,289	19,221
Other	268,366	587,404
Total current liabilities	1,881,916	1,668,825
Non-current liabilities		
Long-term debt	1,126,438	851,294
Deferred tax liabilities	12,805	248
Total non-current liabilities	1,139,243	851,542
Total liabilities	3,021,160	2,520,367
Net assets		
Shareholders' equity		
Common stock	2,690,028	2,885,695
Capital surplus	4,650,030	4,845,697
Retained earnings	(3,315,980)	(3,583,637)
Treasury shares	(228)	(279)
Total shareholders' equity	4,023,850	4,147,476
Accumulated other comprehensive income		
Deferred gains (losses) on hedges	29,015	561
Total accumulated other comprehensive income	29,015	561
Stock acquisition rights	5,718	7,147
Non-controlling interests	11,557	16,772
Total net assets	4,070,140	4,171,958
Total liabilities and net assets	7,091,301	6,692,326

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statement of Income
2nd quarter Consolidated Cumulative period

(Thousands of yen)

	Fiscal Year Ended September 30, 2022 (from October 1, 2021 to March 31, 2022)	Fiscal Year Ending September 30, 2023 (from October 1, 2022 to March 31, 2023)
Net sales	3,616,944	4,100,273
Cost of sales	967,989	1,095,365
Gross profit	2,648,954	3,004,907
Selling, general and administrative expenses	2,952,245	3,214,891
Operating income (loss)	(303,291)	(209,984)
Non-operating income		
Interest income	125	108
Subsidy income	586	148
Commissions received	671	107
Foreign exchange gain	—	14,323
Other	218	1,705
Total non-operating income	1,601	16,394
Non-operating expenses		
Interest expenses	14,602	12,152
Commission fees	—	11,082
Foreign exchange loss	29,727	—
Other	5,079	3,604
Total non-operating expenses	49,409	26,839
Ordinary income (loss)	(351,098)	(220,430)
Extraordinary income (loss)		
Loss on valuation of investment securities	—	(45,791)
Total extraordinary loss	—	(45,791)
Net income (loss) before income taxes	(351,098)	(266,221)
Income taxes - current	2,203	6,166
Income taxes - deferred	—	1,469
Total income taxes	2,203	7,635
Net income (loss)	(353,301)	(273,857)
Net income (loss) attributable to non-controlling interests	(13,261)	(6,199)
Net income (loss) attributable to owners of parent	(340,039)	(267,657)

Quarterly Consolidated Statement of Comprehensive Income
2nd quarter Consolidated Cumulative period

(Thousands of yen)

	Fiscal Year Ended September 30, 2022 (from October 1, 2021 to March 31, 2022)	Fiscal Year Ending September 30, 2023 (from October 1, 2022 to March 31, 2023)
Net income (loss)	(353,301)	(273,857)
Other comprehensive income		
Deferred gains (losses) on hedges	(1,598)	(28,453)
Total other comprehensive income (loss)	(1,598)	(28,453)
Quarterly comprehensive income (loss)	(354,900)	(302,310)
(Breakdown)		
Comprehensive income attributable to owners of the parent	(341,638)	(296,110)
Comprehensive income attributable to non-controlling interests	(13,261)	(6,199)

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	Fiscal Year Ended September 30, 2022 (from October 1, 2021 to March 31, 2022)	Fiscal Year Ending September 30, 2023 (from October 1, 2022 to March 31, 2023)
Cash flow from operating activities		
Net income (loss) before income taxes	(351,098)	(266,221)
Goodwill amortization	80,255	88,701
Depreciation costs	13,521	17,882
Stock-based compensation expenses	1,715	77,737
Loss (gain) on valuation of securities	—	45,791
Increase (decrease) in allowance for doubtful accounts	(100)	—
Increase (decrease) in allowance for losses on orders received	759	9,932
Interest income	(125)	(108)
Subsidy income	(586)	(148)
Commissions received	(671)	(107)
Interest expenses	14,602	12,152
Commissions paid	—	11,082
Loss (gain) on sales of property and equipment	—	198
Decrease (increase) in notes and accounts receivable – trade	(123,740)	(23,865)
Decrease (increase) in prepaid expenses	10,532	(8,032)
Increase (decrease) in accounts payable - other	(103,176)	(9,795)
Increase (decrease) in accrued consumption taxes	(99,538)	(2,127)
Increase (decrease) in contract liabilities	(18,837)	(156,286)
Other	10,218	2,418
Subtotal	(566,268)	(200,797)
Interest received	125	108
Subsidy income received	586	148
Commissions received	671	107
Interest expenses and guarantee commissions paid	(14,602)	(18,914)
Income taxes paid	(3,803)	(2,376)
Net cash used in operating activities	(583,290)	(221,723)
Cash flow from investing activities		
Expenditure for acquisition of property and equipment	(42,793)	(19,613)
Expenditure for acquisition of investment securities	(24,996)	—
Expenditure for acquisition of shares of subsidiaries resulting in change in scope of consolidation	—	(49,416)
Expenditure due to payments for lease and guarantee deposits	(25,713)	—
Proceeds from collection of long-term loans to employees	1,065	1,075
Net cash used in investing activities	(92,437)	(67,954)
Cash flow from financing activities		
Expenditure for repayment of short-term debt	—	(202,502)
Proceeds from long-term debt	1,500,000	680,997
Expenditure for repayment of long-term debt	(347,298)	(1,378,151)
Proceeds from receipt of guarantee deposits	—	300,000
Syndicated loan fees paid	(2,253)	(3,246)
Proceeds from issuance of shares resulting from exercise of stock acquisition rights	69,806	38,954
Expenditure for acquisition of treasury shares	(113)	(50)
Net cash used in financing activities	1,220,141	(563,997)
Net increase (decrease) in cash and cash equivalents	544,412	(853,675)
Cash and cash equivalents at beginning of year	4,172,117	4,240,577
Cash and cash equivalents at end of quarter	4,716,530	3,386,901

(4) Notes on Quarterly Consolidated Financial Statements

Notes regarding assumption of a going concern

Not applicable.

Notes on significant changes in the amount of shareholders' equity

In accordance with the resolution of the Board of Directors meeting held on November 8, 2022, the PLAID Group issued new shares as restricted stock compensation on December 19, 2022 with capital (common stock) increasing by 176 million yen and capital surplus also increasing by 176 million yen during the first half of the year.

As a result, common stock was 2,885 million yen, and capital surplus was 4,845 million yen as of March 31, 2023.

Changes in significant subsidiaries during the period

During the first quarter, agito, Inc. was included in the scope of consolidation as it was made a subsidiary through the acquisition of shares. The company, agito, Inc., does not fall under the category of a specified subsidiary of the PLAID Group.

Change in accounting policy

Not applicable.

Additional information**Financial restrictions**

The PLAID Group has entered into loan agreements with the MUFG Bank and the Resona Bank for the purpose of establishing a stable financing system and the refinancing of existing loans. The following financial restrictions are attached to loans from each of these lenders and in the event of a breach to these restrictions, the PLAID Group may be liable to repay the loan in full upon the lender's request.

1. Term loan agreement with executable period (with the MUFG Bank)

(i) To maintain total net assets on the consolidated balance sheet at the end of each quarter beginning with the quarter ending June 2023 at 50% or more of the total net assets as of the last day of the fiscal year ended September 2022

(ii) To maintain the amount calculated by the following formula at 1,000 million yen or more on the consolidated balance sheet as of the end of each quarter beginning with the quarter ending June 30, 2023.

Formula: Cash and deposits - Interest-bearing debt

(iii) To maintain the amount calculated by the following formula at 700 million yen or more on the non-consolidated balance sheet as of the end of each quarter beginning with the quarter ending June 30, 2023.

Formula: Cash and deposits - Interest-bearing debt

	Year ended Sep. 30, 2022	First Half Ended Mar. 31, 2023
Term loan with executable period	—	1,000 million yen
Loan balance outstanding	—	200 million yen
Balance	—	800 million yen

2. Loan agreement (with the Resona Bank)

(i) Consolidated adjusted operating income for the fiscal year ending September 30, 2025 should not be recorded as a loss.

Formula: Operating income + Amortization of goodwill + Stock-based compensation expenses + Other one-off expenses

(ii) To maintain the amount of net assets on the consolidated balance sheet at the end of each fiscal year and end of second quarter at 50% or more of the fiscal year ended September 30, 2022.

(iii) To maintain the amount of cash and deposits minus interest-bearing debt shown on the consolidated balance sheet at the end of each fiscal year and end of second quarter at 1,000 million yen or more.

	Year ended Sep. 30, 2022	First Half Ended Mar. 31, 2023
Loan balance outstanding	—	500 million yen

Change in items related to fiscal years of consolidated subsidiaries

The consolidated subsidiary of agito, Inc. whose closing date was December 31, used financial statements based on the provisional settlement of accounts in accordance with the current settlement of accounts conducted on December 31, with necessary adjustments for consolidation made for important transactions that occurred between the consolidated closing dates. However, the closing date was changed to September 30 from the second quarter of the consolidated accounting period. As a result of this change, the consolidated financial statements for the first half of the current fiscal year cover the three-month period from January 1, 2023 to March 31, 2023.

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

Important matters underlying the preparation of quarterly consolidated financial statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 3

Names of consolidated subsidiaries: Emotion Tech, Inc.

Right Touch Inc.

agito, Inc.

(2) Number of non-consolidated subsidiaries: 0

2. Application of equity method

Not applicable.

Mergers, etc.

Mergers through acquisition

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

1. Outline of merger

(1) Name and business of acquired company

Name: agito, Inc.

Business: Planning, development, and operation of marketing technology

(2) Reason for merger

It was decided to make agito, Inc. a consolidated subsidiary because we believe that by welcoming the company into the Group, we will be able to further expand our services in the field of Internet advertising to further grow our business.

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

(a) Accelerate the use of 1st Party Customer Data in Internet advertising: Internet advertising has traditionally focused on maximizing conversion (acquisition) through advertising (attracting customers). As such, it has been difficult to measure intrinsic results such as customer lifetime value (LTV) and Net Promoter Score^{SM*}, metrics which determine whether users who viewed ads were satisfied with the experience and continued to use the service.

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

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

Note:

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

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

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

(3) Date of merger

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

(4) Legal form of merger

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

(5) Name of company after merger

No change.

(6) Percentage of voting rights acquired

66.76%

(7) Main grounds for deciding on acquired company

PLAID has acquired the shares in consideration of cash.

2. Period of acquired company's results included in consolidated financial statements

From January 1, 2023 to March 31, 2023

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

Consideration for acquisition (cash): 225 million yen

Acquisition cost: 225 million yen

4. Details and amounts of major acquisition-related expenses

Advisory fees, etc.: 10 million yen

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

(1) Amount of goodwill:

202 million yen

The amount of goodwill is provisionally calculated since the allocation of the acquisition cost has not been completed as of the end of the second quarter of the fiscal year ending September 30, 2023.

(2) Basis of recognizing goodwill

This is mainly from the excess earning power expected from agito's future business.

(3) Method and period of amortization

The investment will be amortized evenly over the estimated period during which the investment is expected to generate a return (six years). The amortization period is a provisionally calculated period at the end of the current second quarter.

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

Current assets: 261 million yen

Non-current assets: 26.7 million yen

Total assets: 287 million yen

Current liabilities: 187 million yen

Non-current liabilities: 65.4 million yen

Total liabilities: 253 million yen