PLAID, Inc. and its subsidiaries

Consolidated financial statements and non-consolidated financial statements for the fiscal year ended September 30, 2023

1. Consolidated Financial Statements

(1) Consolidated Financial Statements

(a) Consolidated balance sheet

(Thousand yen)

	Previous fiscal year (ended Sep. 30, 2022)	Current fiscal year (ended Sep. 30, 2023)
Assets		
Current assets		
Cash and deposits	4,240,577	3,827,359
Notes and accounts receivable - trade	710,444[1)]	980,467[1)]
Prepaid expenses	147,639	416,111
Other	50,186	76,562
Total current assets	5,148,848	5,300,501
Non-current assets		
Property and equipments		
Buildings	26,227	26,227
Accumulated depreciation	(26,186)	(26,227)
Buildings, net	40	0
Tools, furniture and fixtures	164,371	181,966
Accumulated depreciation	(103,597)	(124,369)
Tools, furniture and fixtures, net	60,773	57,597
Property and equipments, net	60,814	57,597
Intangible non-current assets		
Goodwill	1,444,600	339,833
Total intangible non-current assets	1,444,600	339,833
Investments and other assets		
Investment securities	110,395	56,137
Lease and guarantee deposits	310,218	303,862
Long-term loans to employees	16,414	4,229
Long-term loans to directors	―	10,007
Deferred tax assets	―	33,225
Other	10	117,387
Allowance for doubtful receivables	―	(3,388)
Total investments and other assets	437,038	521,461
Total non-current assets	1,942,452	918,893
Total assets	7,091,301	6,219,394

(Thousand yen)

	Previous fiscal year (ended Sep. 30, 2022)	Current fiscal year (ended Sep. 30, 2023)
Liabilities		
Current liabilities		
Accounts payable	5,632	9,150
Short-term debt	200,000	1,660
Current portion of long-term debt	513,076[2)]	384,628[2)]
Accounts payable - other	456,581	742,290
Income taxes payable	32,272	55,253
Contract liabilities	396,699	504,487
Allowance for losses on order received	9,289	54,429
Other	268,366	709,628
Total current liabilities	1,881,916	2,461,527
Long-term liabilities		
Long-term debt	1,126,438[2)]	990,540[2)]
Deferred tax liabilities	12,805	18,493
Total long-term liabilities	1,139,243	1,009,033
Total liabilities	3,021,160	3,470,561
Net assets		
Shareholders' equity		
Capital stock	2,690,028	2,945,895
Capital surplus	4,650,030	5,029,365
Retained earnings	(3,315,980)	(5,424,590)
Treasury shares	(228)	(279)
Total shareholders' equity	4,023,850	2,550,391
Accumulated other comprehensive income (loss)		
Deferred gains and losses on hedges	29,015	41,904
Total accumulated other comprehensive income (loss)	29,015	41,904
Stock acquisition rights	5,718	7,147
Non-controlling interests	11,557	149,390
Total net assets	4,070,140	2,748,833
Total liabilities and net assets	7,091,301	6,219,394

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

Consolidated statement of income

(Thousand yen)

	Previous fiscal year (ended Sep.30, 2022)	Current fiscal year (ended Sep. 30, 2023)
Net sales	7,295,234[1)]	8,633,638[1)]
Cost of sales	1,928,065[2)]	2,396,873[2)]
Gross profit	5,367,168	6,236,764
Selling general and administrative expenses	6,249,710[3)]	7,118,188[3)]
Operating income (loss)	(882,541)	(881,423)
Non-operating income		
Interest income	244	210
Subsidy income	855	286
Commissions received	989	283
Other	1,174	3,383
Total non-operating income	3,265	4,164
Non-operating expenses		
Interest expenses	27,515	20,447
Compensation fees	12,453	2,000
Commission fees	2,506	16,082
Foreign exchange loss	58,676	13,497
Other	3,074	9,057
Total non-operating expenses	104,227	61,084
Ordinary income (loss)	(983,503)	(938,343)
Extraordinary losses		
Impairment loss	7,028[4)]	1,133,159[4)]
Loss on valuation investment securities	13,934	54,257
Total extraordinary losses	20,963	1,187,417
Net income (loss) before adjustment for taxes, etc.	(1,004,467)	(2,125,760)
Income taxes - current	4,400	22,403
Income taxes - deferred	—	(6,844)
Total income taxes	4,400	15,558
Net income (loss)	(1,008,867)	(2,141,318)
Net income (loss) attributable to non-controlling interests	(78,090)	(32,708)
Net income (loss) attributable to owners of parents	(930,777)	(2,108,610)

Consolidated Statement of Comprehensive Income

(Thousand yen)

	Previous fiscal year (ended Sep.30, 2022)	Current fiscal year (ended Sep. 30, 2023)
Net income (loss)	(1,008,867)	(2,141,318)
Other comprehensive income		
Deferred gains or losses on hedges	27,416	12,888
Total other comprehensive income	27,416*	12,888*
Comprehensive income	(981,451)	(2,128,430)
(Breakdown)		
Comprehensive income attributable to owners of the parent	(903,360)	(2,095,721)
Comprehensive income attributable to non-controlling interests	(78,090)	(32,708)

(c) Consolidated Statement of Changes in Shareholders' Equity

Previous fiscal year(ended Sep.30, 2022)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Beginning balance	2,642,620	4,602,623	(2,385,202)	(114)	4,859,926
Changes during year					
Issuance of new shares (restricted stock compensation)	–	–	–	–	–
Issuance of new shares (Exercise of stock acquisition right)	47,407	47,407	–	–	94,815
Net income (loss) attributable to owners of parent	–	–	(930,777)	–	(930,777)
Acquisition of treasury shares	–	–	–	(113)	(113)
Changes in parent company equity related to transaction with no-controlling shareholders	–	–	–	–	–
Net change in items other than shareholders' equity	–	–	–	–	–
Total changes during year	47,407	47,407	(930,777)	(113)	(836,076)
Ending balance	2,690,028	4,650,030	(3,315,980)	(228)	4,023,850

	Accumulated other comprehensive income (loss)		Stock acquisition rights	Non-controlling interests	Total net assets
	Deferred gains or losses on hedges	Accumulated other comprehensive income			
Beginning balance	1,598	1,598	2,287	89,647	4,953,459
Changes during year					
Issuance of new shares (restricted stock compensation)	–	–	–	–	–
Issuance of new shares (Exercise of stock acquisition right)	–	–	–	–	94,815
Net income (loss) attributable to owners of parent	–	–	–	–	(930,777)
Acquisition of treasury shares	–	–	–	–	(113)
Changes in parent company equity related to transaction with no-controlling shareholders	–	–	–	–	–
Net change in items other than shareholders' equity	27,416	27,416	3,430	(78,090)	(47,242)
Total changes during year	27,416	27,416	3,430	(78,090)	(883,318)
Ending balance	29,015	29,015	5,718	11,557	4,070,140

Current fiscal year (ended Sep. 30, 2023)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Beginning balance	2,690,028	4,650,030	(3,315,980)	(228)	4,023,850
Changes during year					
Issuance of new shares (restricted stock compensation)	236,104	236,104	–	–	472,208
Issuance of new shares (Exercise of stock acquisition right)	19,762	19,762	–	–	39,525
Net income (loss) attributable to owners of parent	–	–	(2,108,610)	–	(2,108,610)
Acquisition of treasury shares	–	–	–	(50)	(50)
Changes in parent company equity related to transaction with no-controlling shareholders	–	123,468	–	–	123,468
Net change in items other than shareholders' equity	–	–	–	–	–
Total changes during year	255,866	379,334	(2,108,610)	(50)	(1,473,459)
Ending balance	2,945,895	5,029,365	(5,424,590)	(279)	2,550,391

	Accumulated other comprehensive income (loss)		Stock acquisition rights	Non-controlling interests	Total net assets
	Deferred gains or losses on hedges	Accumulated other comprehensive income			
Beginning balance	29,015	29,015	5,718	11,557	4,070,140
Changes during year					
Issuance of new shares (restricted stock compensation)	–	–	–	–	472,208
Issuance of new shares (Exercise of stock acquisition right)	–	–	–	–	39,525
Net income (loss) attributable to owners of parent	–	–	–	–	(2,108,610)
Acquisition of treasury shares	–	–	–	–	(50)
Changes in parent company equity related to transaction with no-controlling shareholders	–	–	–	–	123,468
Net change in items other than shareholders' equity	12,888	12,888	1,429	137,833	152,151
Total changes during year	12,888	12,888	1,429	137,833	(1,321,307)
Ending balance	41,904	41,904	7,147	149,390	2,748,833

(d) Consolidated Statements of Cash Flows

(Thousand yen)

	Previous fiscal year (ended Sep. 30, 2022)	Current fiscal year (ended Sep. 30, 2023)
Cash flow from operating activities		
Net income (loss) before adjustment for taxes, etc.	(1,004,467)	(2,125,760)
Goodwill amortization	160,511	185,848
Depreciation costs	36,490	41,563
Depreciation costs on deposits	—	2,816
Stock-based compensation expense	3,430	205,477
Impairment loss	7,028	1,133,159
Loss (gain) on valuation of investment securities	13,934	54,257
Increase (decrease) in allowance for doubtful accounts	(525)	3,388
Increase (decrease) in allowance for losses on order received	9,289	45,140
Interest income	(244)	(210)
Subsidy income	(855)	(286)
Commission received	(989)	(283)
Interest expenses	27,515	20,447
Commission fee	2,506	16,082
Guarantee fee	—	3,944
Loss (gain) on sales of property and equipment	184	198
Decrease (increase) in notes and accounts receivable - trade	(64,460)	(187,949)
Decrease (increase) in bankruptcy or reorganization claims	—	(3,388)
Decrease (increase) in prepaid expenses	(14,808)	(103,453)
Increase (decrease) in accounts payable, other	(125,034)	201,707
Increase (decrease) in accrued consumption taxes	(72,821)	24,643
Increase (decrease) in deferred revenue	(165,019)	—
Increase (decrease) in contract liabilities	396,699	107,293
Other	17,717	113,973
Sub total	(773,920)	(261,390)
Interest and dividend income received	244	210
Subsidy income received	855	286
Fees and commission received	989	283
Interest expenses paid	(27,515)	(27,209)
Income taxes paid	(9,887)	(37,270)
Cash flow from operating activities	(809,233)	(325,088)
Cash flow from investing activities		
Payments for acquisition of investment securities	(39,684)	—
Purchase of property and equipment	(74,321)	(46,714)
Proceeds from sale of property and equipment	1,689	1,114
Payments for acquisition of shares of subsidiaries resulting in change in scope of consolidation	—	(49,416)[2)]
Payments for lease and guarantee deposits	(25,713)	(332,753)
Proceeds from collection of lease and guarantee deposits	798	336,579
Proceeds from collection of long-term loans to employees	2,134	2,156
Other	(10)	—
Cash flow from investing activities	(135,10)	(89,033)

(Thousand yen)

	Previous fiscal year (ended Sep. 30, 2022)	Current fiscal year (ended Sep. 30, 2023)
Cash flow from financing activities		
Proceeds from short-term debt	200,000	—
Repayments of short-term debt	(200,000)	(207,506)
Proceeds from long-term debt	1,550,000	1,080,997
Repayments of long-term debt	(626,576)	(1,488,985)
Proceeds from acceptance of deposits	—	300,000
Syndicated loan fees paid	(4,506)	(3,246)
Proceeds from issuance of shares resulting from exercise of stock acquisition rights	93,997	39,237
Payments for acquisition of treasury shares	(113)	(50)
Proceeds from payments from non-controlling shareholders	—	407,847
Expenditures for the acquisition of subsidiaries' shares without a change in the scope of consolidation	—	(127,389)
Cash flow from financing activities	1,012,801	905
Net increase (decrease) in cash and cash equivalents	68,459	(413,217)
Cash and cash equivalents at beginning of period	4,172,117	4,240,577
Cash and cash equivalents at end of period	4,240,577[1)]	3,827,359[1)]

[Notes on consolidated financial statements]

(Significant matters underlying the preparation of consolidated financial statements)

1. Scope of consolidation

Status of consolidated subsidiaries:

All of the Company's subsidiaries are consolidated

Number of consolidated subsidiaries: 3

Names of consolidated subsidiaries: Emotion Tech, Inc.
RightTouch Inc.
agito, Inc.

Regarding agito, Inc., during the current consolidated fiscal year, as the Company has acquired shares, it has become a consolidated subsidiary and is therefore included within the scope of consolidation in the annual consolidated financial statements.

2. Fiscal year of consolidation subsidiaries

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

3. Accounting policies

(1) Valuation criteria and methods for significant assets

(i) Investment securities

・Other investment securities

Stocks without market value, etc.:

The moving average method is used.

(ii) Derivatives

The market value method is used.

(2) Depreciation methods for significant depreciable assets

Property and equipments

Plaid and its consolidated subsidiaries use the declining balance method. However, buildings acquired on or after April 1, 2016 are depreciated using the straight line method.

The estimated useful lives of major asset items are as follows:

Buildings	2 to 5 years
Tools, furniture and fixtures	3 to 15 years

(3) Criteria for recording significant allowances

(a) Allowance for doubtful accounts

In order to prepare for bad debt losses on receivables, the estimated uncollectible amount is recorded based on the actual bad debt rate for general receivables and the separate likelihood of collection for specific receivables such as doubtful receivables.

(b) Allowance for losses on orders received

In order to provide for possible future losses related to contracts of orders, for those at the end of the fiscal year that are expected to incur losses and whose amounts can be reasonably estimated, the estimated amount of such losses is recorded.

(4) Accounting for significant deferred assets

Stock issuance cost

All costs are processed at the time of expenditure.

(5) Significant hedge accounting methods

(a) Hedge accounting method

Deferred hedge accounting method is applied. The Company has applied the allocation method for forward exchange contracts when the requirements for the allocation method are met.

(b) Hedging instruments and hedged items

Hedging instruments: Forward exchange contracts Hedged items: Accounts payable-other

(c) Hedging policy

In order to reduce the risk of foreign currency fluctuations, the Company conducts hedging within the amount of the liabilities to be hedged.

(d) Method for evaluating the effectiveness of hedging

The Company assesses the hedging effectiveness based on the amount of fluctuation of both the hedged items and the hedging instruments, comparing the cumulative market fluctuations of the hedged items and the hedging instruments during the period from the start of hedging to the time of effectiveness assessment. For items for which the allocation method is applied, the hedging effectiveness assessments are omitted based on the judgment that their effectiveness has been proved at the time of adoption.

(6) Goodwill amortization method and period

The Company amortizes goodwill using the straight-line method over a reasonable number of years (6-10 years), determined on a case-by-case basis.

(7) Scope of funds in the consolidated statement of cash flows

Scope of funds consist of cash on hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition, which are readily convertible into cash, and are exposed to insignificant risk in terms of changes in value.

(8) Criteria for recording significant revenues and expenses

In the Company's mainstay SaaS business, revenue generated from contracts with customers is classified into product revenue, which relates to the providing of products, and service revenue, which relates to the providing of professional services. For either type of revenue, any revenues generated from the continuous provision of products or services, such as monthly subscription fees, are recognized monthly based on the period when the products or services are provided to the customer. Any revenue that relates to the initial introduction of a product or the provision of a temporary one-off service is considered to be a transaction fulfilled when the work is complete and so is recognized as revenue generated at one point in time.

(9) Foreign currency translations

Monetary receivables and payables denominated in foreign currencies are converted into Japanese yen at the spot exchange rate on the consolidated closing date with the resulting exchange difference treated as a profit or loss.

(Significant accounting estimates)

Evaluation of goodwill

(a) Amount recorded in the consolidated financial statements for the current consolidated fiscal year

(Thousand yen)

	Previous consolidated fiscal year	Current fiscal year
Goodwill	1,444,600	339,833

(b) Information about content of significant accounting estimates for identified items

In preparing the consolidated financial statements, the Company assesses the evidence of impairment by grouping non-current assets so that estimates of impairment loss appropriately reflect the actual state of business. Non-current assets are grouped based on managerial accounting categories.

If any evidence of impairment exists, future cash flows of the asset group before discount are estimated. If it is determined that the total amount of future cash flows before discount based on the target company's future business plan is less than the book value and an impairment loss should be recognized, the book value is reduced to the recoverable amount, and the reduction in book value is recorded as an impairment loss.

In terms of goodwill in the current consolidated fiscal year for Emotion Tech, Inc., a consolidated subsidiary, evidence of impairment in asset groups including goodwill have been recognized as progress in improving operating income is expected to be delayed compared to the company's business plan at the time of acquisition. For this reason, it was determined whether or not to recognize an impairment loss in the current fiscal year. Since the total amount of future cash flows before discount was less than the book value of the asset group including goodwill, the difference between the recoverable amount and the book value was reduced and an impairment loss of 1,121,618 thousand yen was recorded. As such, the balance of goodwill for Emotion Tech, Inc. at the end of the current consolidated fiscal year was 162,470 thousand yen.

In measuring impairment losses, use value is used as the recoverable amount, and future cash flows used to calculate this use value are based on the company's medium-term business plan. The medium-term business plan assumes that proactive recruitment of sales personnel will lead to an increase in the number of new contracts and an improved retention rate, which will increase future net sales in the medium-term business plan. In addition, the weighted average cost of capital is used as the discount rate.

If it becomes necessary to revise the assumptions used in these estimates due to slower-than-expected net sales growth of Emotion Tech or other factors, an additional impairment loss may be recognized in the following consolidated fiscal year.

(Change in accounting policies)

Not applicable.

(Accounting standards issued but not yet applied)

Not applicable.

(Change in presentation method)

Consolidated balance sheet

In the previous fiscal year, “Prepaid expenses” that were included in “Other” under “Current assets” have increased in financial significance, and hence from the current fiscal year, they will be disclosed separately to reflect this change in presentation method, the Company has reclassified the consolidated financial statements of the previous fiscal year. As a result, the amount of 197,826 thousand yen which was previously presented under “Other” within “Current assets” in the consolidated balance sheet of the previous fiscal year has been reclassified as “Prepaid expenses” of 147,639 thousand yen and “Other” of 50,186 thousand yen.

(Consolidated balance sheet)

(1) Notes and accounts receivable arising from contracts with customers are as follows.

	Previous consolidated fiscal year (Sep 30, 2022)	Current fiscal year (Sep 30, 2023)
Notes receivable	880(thousand yen)	– (thousand yen)
Accounts receivable	709,564	980,467

(2) Monetary loan agreement and term loan agreement with executable period, and related financial restrictions

PLAID has concluded financial loan agreements with MUFG Bank, Ltd. and Resona Bank, Ltd. for the purpose of establishing a stable financing system going forward and refinancing existing loans. Each of these agreements has the following financial covenants, and if any of these are violated, the loans may be repaid in full at the request of the lender.

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

I. On the consolidated balance sheet at the end of each quarter starting from June 2023, the total amount of net assets must be maintained at 50% or more of the total net assets as at the end of September 2022.

II. On the consolidated balance sheet at the end of each quarter starting from June 2023, the amount calculated using the following formula must be maintained at 1,000,000 thousand yen or more.
Calculation formula: Cash and deposits - Interest-bearing debt

III. On the non-consolidated balance sheet at the end of each quarter starting from June 2023, the amount calculated using the following formula must be maintained at 700,000 thousand yen or more.
Calculation formula: Cash and deposits - Interest-bearing debt

The undrawn balance of term loans with executable period as of the end of the current consolidated fiscal year is as follows.

Term loans with executable period	1,000,000 (thousand yen)
Outstanding balance of unexecuted loans	600,000 (thousand yen)
Balance due	400,000 (thousand yen)

(2) Monetary loan agreement (with Resona Bank)

I. The consolidated adjusted operating income for the fiscal year ending September 2025 shall not be a loss.
Calculation formula: Operating income + Goodwill amortization + Stock-based compensation expenses + Other non-recurring expenses

II. The amount of net assets on the consolidated balance sheet at the end of each fiscal year and second quarter shall be maintained at 50% or more compared to the fiscal year ended September 2022.

III. The amount of cash and deposits minus interest-bearing debt shown on the consolidated balance sheet at the end of each fiscal year and second quarter shall be maintained at 1,000,000 thousand yen or more.

The debt balance at the end of the current consolidated fiscal year is as follows.

Debt balance as on September 30, 2023	428,600 (thousand yen)	(of which 142,800 thousand yen scheduled to be repaid within one year)

(Consolidated statement of income)

(1) Revenue generated from contracts with customers

Net sales are all revenues generated from contracts with customers. The amount of revenue generated from contracts with customers is stated in “Notes: Revenue Recognition 1. A breakdown of revenue from contracts with customers” in the consolidated financial statements.

(2) Amount carried over and reversal on provision for loss on orders received included in cost of sales

	Previous fiscal year ended Sep. 30, 2022	Current fiscal year ended Sep. 30, 2023
Amount carried over on provision for loss on orders received	9,289 (thousand yen)	45,140 (thousand yen)

(3) The main items of expenditure and amounts for SG&A expenses are as follows:

	Previous fiscal year ended Sep. 30, 2022	Current fiscal year ended Sep. 30, 2023
Salaries and allowances	2,728,182(thousand yen)	2,999,839(thousand yen)
Advertising expenses	679,558	633,642
Goodwill amortization	160,511	185,848

(4) Impairment loss

Previous fiscal year ended Sep. 30, 2022

In the current consolidated fiscal year, the Group recognized impairment loss on the following asset group.

(Thousand yen)

Location	Purpose	Type	Amount
Minato Ward, Tokyo	Business assets	Tools, furniture and fixtures	7,028

(1) Background leading to recognition of impairment loss

An impairment loss was recognized for the asset group in which the carrying amounts of non-current assets could not be expected to be recovered due to the decline in profitability.

(2) Asset grouping method

Assets are grouped based on managerial accounting categories.

(3) Calculation method of recoverable amount

The recoverable amount of the assets is calculated by value in use, and since the value in use based on future cash flows is negative, the recoverable amount is calculated as zero.

Current fiscal year ended Sep. 30, 2023

In the current consolidated fiscal year, the Group recognized impairment loss on the following asset group.

(Thousand yen)

Location	Purpose	Type	Amount
Minato Ward, Tokyo	Business assets	Tools, furniture and fixtures	11,540
Minato Ward, Tokyo	−	Goodwill	1,121,618
Total			133,159

(1) Background leading to recognition of impairment loss

(a) Since profitability of the SaaS business declined and is no longer expected to bring a return on the amount invested, the PLAID Group reduced the book value of tools, furniture, and fixtures to a recoverable amount, recording 11,540 thousand yen as an impairment loss in extraordinary losses.

(b) Regarding goodwill generated from the acquisition of Emotion Tech, since it is no longer expected to generate the profits originally forecast, the book value was reduced to a recoverable amount, with the reduction amount of 1,121,618 thousand yen recorded as an impairment loss in extraordinary losses.

(2) Asset grouping method

Assets are grouped based on managerial accounting categories.

(3) Calculation method of recoverable amount

(a) The recoverable amount of business assets is calculated using estimated future cash flows that are expected to occur depending on the asset's useful life and unit of cash-generation. Since future cash flows are expected to be negative, the use value is calculated as zero.

(b) The recoverable amount of goodwill is measured by its use value based on future business plans, and is calculated by discounting future cash flows at a rate of 20.5%.

(Consolidated statement of comprehensive income)

Reclassification adjustments and tax effects related to other comprehensive income

	Previous fiscal year (ended Sep. 30, 2022)	Current fiscal year (ended Sep. 30, 2023)
Deferred gains or losses on hedge:		
Amount accrued	39,516thousand yen	18,577thousand yen
Reclassification adjustments	—	—
Before tax effect adjustments	39,516	18,577
Tax effect	(12,100)	(5,688)
Deferred gains or losses on hedges	27,416	12,888
Total other comprehensive income (loss)	27,416	12,888

(Consolidated statement of changes in shareholders' equity)

Previous fiscal year ended Sep. 30, 2022

1. The class and total number of shares issued

	Numbers of shares on October 1, 2021	Numbers of shares increased during fiscal year	Numbers of shares decreased during fiscal year	Numbers of shares on September 30, 2022
Issued shares				
Common stock*	37,890,900	716,000	–	38,606,900
Total	37,890,900	716,000	–	38,606,900

Note: The increase of 716,000 shares in common stock was due to the issuance of new shares upon exercise of stock acquisition rights.

2. The class and total number of shares of treasury stock

	Numbers of shares on October 1, 2021	Number of shares increased during fiscal year	Number of shares decreased during fiscal year	Number of shares on September 30, 2022
Treasury shares				
Common stock*	25	38	–	63
Total	25	38	–	63

Note: The increase was due to the purchase of fractional shares.

3. Stock acquisition rights and treasury stock acquisition rights

	Description	Type of shares to be issued	Number of shares to be issued				Balance on September 30, 2022 (thousand yen)
			As on October 1, 2021	Increase during fiscal year	Decrease during fiscal year	As on September 30, 2022	
Reporting company (Parent company)	Stock acquisition rights as stock options	–	–	–	–	–	5,718
Total		–	–	–	–	–	5,718

4. Dividends

(1) Amount of dividends paid

Not applicable.

(2) Dividends with a record date in the current consolidated fiscal year and an effective date in the following fiscal year

Not applicable.

Current fiscal year ended Sep. 30, 2023

1. The class and total number of shares issued

	Number of shares on October 1, 2022	Number of shares increased during fiscal year	Number of shares decreased during fiscal year	Number of shares on September 30, 2023
Issued shares				
Common stock*	38,606,900	736,717	–	39,343,617
Total	38,606,900	736,717	–	39,343,617

Note: The increase of 736,717 shares in the number of issued common shares is due to the issuance of 134,000 new shares accompanying the exercise of stock options and the issuance of 602,717 new shares as restricted stock awards.

2. The class and total number of shares of treasury stock

	Number of shares on October 1, 2022	Number of shares increased during fiscal year	Number of shares decreased during fiscal year	Number of shares on September 30, 2023
Treasury shares				
Common stock*	63	1,354	–	1,417
Total	63	1,354	–	1,417

Note: The increase of 1,354 shares in the number of treasury shares of common stock is due to the acquisition of 74 shares from the buyback of less-than-one-unit shares and the acquisition of 1,280 shares due to the purchase of restricted stock.

3. Stock acquisition rights and treasury stock acquisition rights

	Description	Types of shares to be issued	Number of shares to be issued				Balance on September 30, 2023 (thousand yen)
			As on October 1, 2022	Increase during fiscal year	Decrease during fiscal year	As on September 30, 2023	
Reporting company (Parent company)	Stock acquisition rights as stock options	–	–	–	–	–	7,147
Total		–	–	–	–	–	7,147

4. Dividends

(1) Amount of dividends paid

Not applicable.

(2) Dividends with a record date in the current consolidated fiscal year and an effective date in the following fiscal year

Not applicable.

Consolidated statement of cash flows

(1) Relationship between cash and cash equivalents at end of period and the amounts of items shown on the consolidated balance sheet

	Previous fiscal year (ended Sep. 30, 2022)	Current fiscal year (ended Sep. 30, 2023)
Cash and deposits	4,240,577 thousand yen	3,827,359 thousand yen
Cash and cash equivalents	4,240,577	3,827,359

(2) The main breakdown of assets and liabilities of the company that became a new consolidated subsidiary due to the acquisition of shares

Previous fiscal year ended Sep. 30, 2022

Not applicable.

Current fiscal year ended Sep. 30, 2023

As a result of consolidating agito, Inc. as a new subsidiary following the acquisition of its shares, the breakdown of assets and liabilities at the commencement of consolidation, as well as the relationship between the acquisition cost of the new subsidiary's shares and the expenditures (net amount) for the acquisition of these shares, is as follows:

	(Thousand yen)
Current assets	261,005
Non-current assets	26,727
Goodwill	202,700
Current liabilities	(187,950)
Long-term liabilities	(65,443)
Non-controlling interests	(11,415)
Acquisition cost	225,626
Cash and cash equivalents	(176,209)
Net: Expenditures for acquisition	49,416

Significant non-cash transactions

(Thousand yen)

	Previous fiscal year (ended Sep. 30, 2022)	Current fiscal year (ended Sep. 30, 2023)
Capital increase due to the issuance of new shares as restricted stock compensation	–	236,104
Capital reserve increase due to the issuance of new shares as restricted stock compensation	–	236,104

(Lease transactions)

1. Finance lease transactions

Not applicable.

2. Operating lease transactions

Accrued lease payments on non-cancelable operating lease transactions

(Thousand yen)

	Previous fiscal year (ended Sep. 30, 2022)	Current fiscal year (ended Sep. 30, 2023)
Due within 1 year	75,149	335,906
Due after 1 year	29,925	1,070,934
Total	105,074	1,406,841

(Financial instruments)

1. The status of financial instruments

(1) Company policy for financial instruments

The Group's policy is to limit fund management to short-term deposits and not engage in speculative transactions. Moreover, funds are procured through borrowing from financial institutions and third-party allotment.

(2) Details of financial instruments and associated risks

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.

Long-term loans to employees are exposed to the credit risk of employees.

Investment securities are mainly shares of companies with which the Company has business relationships. Any unlisted shares are subject to risk in the financial conditions of the companies in question.

Operating payables such as accounts payable (trade and other) are due within one year. Some of these liabilities are denominated in foreign currencies and although they are exposed to the risk of exchange rate fluctuations, they have been hedged with the use of derivative transactions (forward exchange contracts). The Company limits the use of derivative transactions to forward exchange contracts for the purpose of hedging against the risk of exchange rate fluctuations of liabilities denominated in foreign currencies.

(3) Risk management system for financial instruments

(a) Management of credit risk (Risk related to breach of contract by customers)

We are working to reduce customer credit risk related to notes and accounts receivable in accordance with the Company's credit management regulations. In addition, we are working to reduce the risk of notes and accounts receivable by managing due dates and balances, etc.

The Company strives to reduce the risks associated with lease and guarantee deposits by monitoring the counterparties' credit status.

Long-term loans to employees are appropriately managed in accordance with the Company's internal rules on loans to employees.

(b) Management of market risk (Risk of fluctuations in exchange rates, interest rates, etc.)

The Company manages market risk, in particular, fluctuation risk of borrowing interest rate, by regularly monitoring the market interest rate. For unlisted stocks, we regularly monitor the financial status, etc. of the issuers (client companies).

Regarding certain operating payables denominated in foreign currencies, the Company hedges against the risk of exchange rate fluctuations using forward exchange contracts.

(c) Management of liquidity risk related to fundraising (risk of being unable to make payments on due dates)

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.

(4) Supplementary information on fair market values of financial instruments

Since variable factors are reflected in estimating the fair value of financial instruments, different assumptions and factors could result in a different fair value.

2. Fair market values of financial instruments

Consolidated balance sheet amounts, fair market values and differences are as follows:

Previous fiscal year ended Sep. 30, 2022

(Thousand yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Lease and guarantee deposits	310,218	307,933	(2,284)
(2) Long-term loans to employees (including current portion)	18,570	18,407	(163)
(3) Long-term loans to directors	–	–	–
Total assets	328,788	326,340	(2,448)
(4) Long-term debt (including current portion)	1,639,514	1,631,034	(8,479)
Total liabilities	1,639,514	1,631,034	(8,479)
Derivative transactions[3)]			
Items for which hedge accounting is applied	41,820	41,820	–

Notes:

1) Cash and deposits, notes and accounts receivable, accounts payable (trade), short-term debt, accounts payable (other) and income taxes payable have been omitted because their market value approximates the book value since they are settled in cash and in a short period of time.

2) The financial instruments below are not included in the table above because there are no quoted market prices and it is extremely difficult to determine their fair value. The carrying amounts of these instruments presented in the consolidated balance sheet are as follows:

(Thousand yen)

	Consolidated balance sheet amount
Unlisted stocks	110,395

3) Derivative transactions through the allocation method for forward exchange contracts, etc. are used to hedge forecasted transactions denominated in foreign currencies. Their fair market values are based on forward exchange rates.

Current fiscal year ended Sep. 30, 2023

(Thousand yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Lease and guarantee deposits	303,862	299,597	(4,264)
(2) Long-term loans to employees (including current portion)	6,406	6,322	(84)
(3) Long-term loans to directors	10,007	9,868	(138)
Total assets	320,276	315,788	(4,488)
(4) Long-term debt (including current portion)	1,375,168	1,369,906	(5,261)
Total liabilities	1,375,168	1,369,906	(5,261)
Derivative transactions[3)]			
Items for which hedge accounting is applied	60,397	60,397	–

Notes:

1) Cash and deposits, notes and accounts receivable, accounts payable (trade), short-term debt, accounts payable (other) and income taxes payable have been omitted because their market value approximates the book value since they are settled in cash and in a short period of time.

2) The financial instruments below are not included in the table above because there are no quoted market prices and it is extremely difficult to determine their fair value. The carrying amounts of these instruments presented in the consolidated balance sheet are as follows:

(Thousand yen)

	Consolidated balance sheet amount
Unlisted stocks	56,137

3) Derivative transactions through the allocation method for forward exchange contracts, etc. are used to hedge forecasted transactions denominated in foreign currencies. Their fair market values are based on forward exchange rates.

Notes:

1) Scheduled redemption amount after the consolidated closing date for monetary claims

Previous fiscal year ended Sep. 30, 2022

(Thousand yen)

	Due within one year	Due after one year and up to five	Due after five years and up to ten	Due after ten years
Cash and deposits	4,240,577	–	–	–
Notes and accounts receivable - trade	710,444	–	–	–
Lease and guarantee deposits	–	25,638	284,579	–
Long-term loans to employees (including current portion)	2,156	16,414	–	–
Long-term loans to directors	–	–	–	–
Total	4,953,177	42,053	284,579	–

Current fiscal year ended Sep. 30, 2023

(Thousand yen)

	Due within one year	Due after one year and up to five	Due after five years and up to ten	Due after ten years
Cash and deposits	3,827,359	–	–	–
Notes and accounts receivable - trade	980,467	–	–	–
Lease and guarantee deposits	26,088	277,773	–	–
Long-term loans to employees (including current portion)	2,177	4,229	–	–
Long-term loans to directors	–	10,007	–	–
Total	4,836,093	292,009	–	–

2) Scheduled redemption amount after the consolidated closing date for long-term debt and other interest-bearing debt

Previous fiscal year ended Sep. 30, 2022

(Thousand yen)

	Due within one year	Due between one and two years	Due between two and three years	Due between three and four years	Due between four and five years	Due after five years
Short-term debt	200,000	–	–	–	–	–
Lease and guarantee deposits	–	–	–	–	–	–
Long-term debt	513,076	370,956	353,686	312,586	9,960	79,250
Total	713,076	370,956	353,686	312,586	9,960	79,250

Current fiscal year ended Sep. 30, 2023

(Thousand yen)

	Due within one year	Due between one and two years	Due between two and three years	Due between three and four years	Due between four and five years	Due after five years
Short-term debt	1,660	–	–	–	–	–
Lease and guarantee deposits	300,000	–	–	–	–	–
Long-term debt	384,628	510,838	319,374	22,644	22,644	115,040
Total	686,288	510,838	319,374	22,644	22,644	115,040

3) Breakdown by level of fair market value of financial instruments

The market value of financial instruments is classified into the following three levels according to the observability and importance of the inputs used to calculate the market value.

Level 1: Market value calculated from quoted prices in active markets for identical assets or liabilities

Level 2: Market value calculated using directly or indirectly observable inputs other than those in Level 1

Level 3: Market value calculated using significant unobservable inputs

When multiple inputs with a significant impact on the calculation of market value are used, the fair value is classified into the level with the lowest priority in the calculation of fair value among the levels to which those inputs belong.

(a) Financial instruments and liabilities recorded on the consolidated balance sheet at fair market value

Previous fiscal year ended Sep. 30, 2022

	Fair value (thousand yen)			
	Level 1	Level 2	Level 3	Total
Derivative transactions Items for which hedge accounting is applied	–	41,820	–	41,820

Current fiscal year ended Sep. 30, 2023

	Fair value (thousand yen)			
	Level 1	Level 2	Level 3	Total
Derivative transactions Items for which hedge accounting is applied	–	60,397	–	60,397

(b) Financial instruments and liabilities not recorded on the consolidated balance sheet at fair market value

Previous fiscal year ended Sep. 30, 2022

	Fair value (thousand yen)			
	Level 1	Level 2	Level 3	Total
Lease and guarantee deposits	–	307,933	–	307,933
Long-term loans to employees (including current portion)	–	18,407	–	18,407
Long-term loans to directors	–	–	–	–
Total assets	–	326,340	–	326,340
Long-term debt (including current portion)	–	1,631,034	–	1,631,034
Total liabilities	–	1,631,034	–	1,631,034

Note: The following explains the valuation techniques used in calculating market value and inputs related to market value calculation.

Current fiscal year ended Sep. 30, 2023

	Fair value (thousand yen)			
	Level 1	Level 2	Level 3	Total
Lease and guarantee deposits	–	299,597	–	299,597
Long-term loans to employees (including current portion)	–	6,322	–	6,322
Long-term loans to directors	–	9,868	–	9,868
Total assets	–	315,788	–	315,788
Long-term debt (including current portion)	–	1,369,906	–	1,369,906
Total liabilities	–	1,369,906	–	1,369,906

Note: The following explains the valuation techniques used in calculating market value and inputs related to market value calculation.

Derivative transactions

Derivative transactions are calculated based on the prices offered by the financial institutions with which we do business. Their fair market value is classified as Level 2.

Lease and guarantee deposits

The fair value of lease and guarantee deposits is calculated based on the present value of future cash flows discounted by the yield of Japanese government bonds corresponding to the remaining period. Their fair market value is classified as Level 2. If the corresponding yield of Japanese government bonds is negative, the fair value is calculated using a discount rate of zero.

Long-term loans to employees (including current portion)

The fair value of long-term loans to employees is calculated based on the present value of the total amount of principal and interest discounted by the assumed interest rate for similar new loans. Their fair market value is classified as Level 2.

Long-term loans to directors

The fair value of long-term loans to directors is calculated based on the present value of the total amount of principal and interest discounted by the assumed interest rate for similar new loans. Their fair market value is classified as Level 2.

Long-term debt (including current portion)

Of the fair market value of long-term debt, those debts with variable interest rates reflect market interest rates over a short period, and since their fair market value is similar to the book value, their fair value depends on the book value. For those debts with fixed interest rates, the present value is calculated by discounting the total amount of principal and interest by the interest rate that would be expected if a similar new borrowing were made. Their fair market value is classified as Level 2.

(Investment securities)

Other investment securities

Previous fiscal year ended Sep. 30, 2022

Unlisted stocks (consolidated balance sheet amount of 110,395 thousand yen) are not listed because there is no market price and it is extremely difficult to determine their fair value.

Current fiscal year ended Sep. 30, 2023

Unlisted stocks (consolidated balance sheet amount of 56,137 thousand yen) are not listed because there is no market price.

(Derivative transactions)

Derivative transactions for which hedge accounting is applied:

Currency-related

Previous fiscal year ended Sep. 30, 2022

(Thousand yen)

Hedge accounting method	Type of transaction	Main hedged items	Contracts amounts	Contract amounts over one year	Fair value
Allocation method for forward exchange contracts (Forecasted transactions)	Forward exchange contracts Buying USD	Accounts payable - other	726,168	–	41,820
Total			726,168	–	41,820

Current fiscal year ended Sep. 30, 2023

(Thousand yen)

Hedge accounting method	Type of transaction	Main hedged items	Contracts amounts	Contract amounts over one year	Fair value
Allocation method for forward exchange contracts (Forecasted transactions)	Forward exchange contracts Buying USD	Accounts payable - other	813,570	–	60,397
Total			813,570	–	60,397

(Stock options)

1. Name and amount recorded for expenses in relation to stock options

(Thousand yen)

	Previous fiscal year ended Sep. 30, 2022	Current fiscal year ended Sep. 30, 2023
Selling general and administrative expenses	3,430	205,477

2. Details, number and changes in stock options

(1) Details of stock options

	1st stock options	3rd stock options
Guarantees	One Audit & Supervisory Board Member of the Company 13 employees of the Company	One Audit & Supervisory Board Member of the Company 63 employees of the Company
Number of stock options by stock type*	Common stock: 615,000 shares	Common stock: 1,885,000 shares
Date of grant	June 30, 2015	February 28, 2018
Vesting conditions	The conditions for exercising stock acquisition rights are as follows: (A) The stock acquisition rights holder is required to hold the position of a director or employee of the Company or any of its subsidiaries, or be an external partner, at the time of exercising the rights. However, this shall not apply if approval is obtained by decision of the Board of Directors of the Company. (B) The stock acquisition rights can be exercised only when the Company's shares are listed on a stock exchange in Japan or overseas. However, this shall not apply if approval is obtained by decision of the Board of Directors of the Company. (C) In the event of the death of the stock acquisition rights holder, the stock options may not be inherited. However, this shall not apply if approval is obtained by decision of the Board of Directors of the Company. (D) The stock acquisition rights may not be exercised in numbers less than one unit (fractional shares). (E) Other conditions for exercising the stock acquisition rights shall be in accordance with a Stock Acquisition Rights Allocation Agreement to be concluded separately between the Company and the holder of the stock acquisition rights.	The conditions for exercising stock acquisition rights are as follows: (A) The stock acquisition rights holder is required to hold the position of a director, auditor or other officer or employee of the Company or any of its subsidiaries, or be an external partner, at the time of exercising the rights. However, this shall not apply if approval is obtained by decision of the Board of Directors of the Company. (B) The stock acquisition rights can be exercised only when the Company's shares are listed on a stock exchange in Japan or overseas. However, this shall not apply if approval is obtained by decision of the Board of Directors of the Company. (C) In the event of the death of the stock acquisition rights holder, the stock options may not be inherited. However, this shall not apply if approval is obtained by decision of the Board of Directors of the Company. (D) The stock acquisition rights may not be exercised in numbers less than one unit (fractional shares). (E) Other conditions for exercising the stock acquisition rights shall be in accordance with a Stock Acquisition Rights Allocation Agreement to be concluded separately between the Company and the holder of the stock acquisition rights.
Required service period	No fixed period has been set.	No fixed period has been set.
Exercise period	From July 1, 2015 to June 30, 2025	From February 24, 2020 to February 23, 2028

	4th stock options	5th stock options
Guarantees	Two directors of the Company 35 employees of the Company	One director of the Company Two Audit & Supervisory Board Members of the Company
Number of stock options by stock type*	Common stock: 1,109,000 shares	Common stocks: 90,000 shares
Date of grant	January 12, 2019	April 3, 2019
Vesting conditions	The conditions for exercising stock acquisition rights are as follows: (A) The stock acquisition rights holder is required to hold the position of a director, auditor or other officer or employee of the Company or any of its subsidiaries, or be an external partner, at the time of exercising the rights. However, this shall not apply if approval is obtained by decision of the Board of Directors of the Company. (B) The stock acquisition rights can be exercised only when the Company's shares are listed on a stock exchange in Japan or overseas. However, this shall not apply if approval is obtained by decision of the Board of Directors of the Company. (C) In the event of the death of the stock acquisition rights holder, the stock options may not be inherited. However, this shall not apply if approval is obtained by decision of the Board of Directors of the Company. (D) The stock acquisition rights may not be exercised in numbers less than one unit (fractional shares). (E) Other conditions for exercising the stock acquisition rights shall be in accordance with a Stock Acquisition Rights Allocation Agreement to be concluded separately between the Company and the holder of the stock acquisition rights.	The conditions for exercising stock acquisition rights are as follows: (A) The stock acquisition rights holder is required to hold the position of a director, auditor or other officer or employee of the Company or any of its subsidiaries, or be an external partner, at the time of exercising the rights. However, this shall not apply if approval is obtained by decision of the Board of Directors of the Company. (B) The stock acquisition rights can be exercised only when the Company's shares are listed on a stock exchange in Japan or overseas. However, this shall not apply if approval is obtained by decision of the Board of Directors of the Company. (C) In the event of the death of the stock acquisition rights holder, the stock options may not be inherited. However, this shall not apply if approval is obtained by decision of the Board of Directors of the Company. (D) The stock acquisition rights may not be exercised in numbers less than one unit (fractional shares). (E) Other conditions for exercising the stock acquisition rights shall be in accordance with a Stock Acquisition Rights Allocation Agreement to be concluded separately between the Company and the holder of the stock acquisition rights.
Required service period	No fixed period has been set.	No fixed period has been set.
Exercise period	From January 12, 2021 to January 11, 2029	From March 20, 2021 to March 19, 2029

	6th stock options	7th stock options
Guarantees	115 employees of the Company	One employee of the Company
Number of stock options by stock type*	Common stock: 627,000 shares	Common stock: 5,000 shares
Date of grant	August 12, 2020	February 1, 2021
Vesting conditions	The conditions for exercising stock acquisition rights are as follows: (A) The stock acquisition rights holder is required to hold the position of a director, auditor or other officer or employee of the Company or any of its subsidiaries, or be an external partner, at the time of exercising the rights. However, this shall not apply if approval is obtained by decision of the Board of Directors of the Company. (B) The stock acquisition rights can be exercised only when the Company's shares are listed on a stock exchange in Japan or overseas. However, this shall not apply if approval is obtained by decision of the Board of Directors of the Company. (C) In the event of the death of the stock acquisition rights holder, the stock options may not be inherited. However, this shall not apply if approval is obtained by decision of the Board of Directors of the Company. (D) The stock acquisition rights may not be exercised in numbers less than one unit (fractional shares). (E) Other conditions for exercising the stock acquisition rights shall be in accordance with a Stock Acquisition Rights Allocation Agreement to be concluded separately between the Company and the holder of the stock acquisition rights.	The conditions for exercising stock acquisition rights are as follows: (A) The stock acquisition rights holder is required to hold the position of a director, auditor or other officer or employee of the Company or any of its subsidiaries, or be an external partner, at the time of exercising the rights. However, this shall not apply if approval is obtained by decision of the Board of Directors of the Company. (B) In the event of the death of the stock acquisition rights holder, the stock options may not be inherited. However, this shall not apply if approval is obtained by decision of the Board of Directors of the Company. (C) The stock acquisition rights may not be exercised in numbers less than one unit (fractional shares). (D) Other conditions for exercising the stock acquisition rights shall be in accordance with a Stock Acquisition Rights Allocation Agreement to be concluded separately between the Company and the holder of the stock acquisition rights.
Required service period	No fixed period has been set.	No fixed period has been set.
Exercise period	From August 12, 2022 to August 11, 2030	From February 1, 2023 to January 31, 2031

Note: Converted to number of shares.

(2) Number and changes in stock options

The following table summarizes the changes in stock options and price information applicable for the year ended September 30, 2023

(a) Number of stock options

	1dt stock options	3rd stock options	4th stock options
Pre-vest (Number of shares)			
As at end of previous fiscal year (Sep. 30, 2022)	–	–	–
Granted	–	–	–
Forfeited	–	–	–
Vested	–	–	–
Non-vested	–	–	–
Post-vested (Number of shares)			
As at end of previous fiscal year (Sep. 30, 2022)	355,000	1,065,000	893,000
Vested	–	–	–
Exercised	38,000	39,000	57,000
Forfeited	–	23,000	19,000
Unexercised	317,000	1,003,000	817,000

	5th stock options	6th stock options	7th stock options
Pre-vest (Number of shares)			
As at end of previous fiscal year (Sep. 30, 2022)	–	–	5,000
Granted	–	–	–
Forfeited	–	–	–
Vested	–	–	–
Non-vested	–	–	5,000
Post-vested (Number of shares)			
As at end of previous fiscal year (Sep. 30, 2022)	90,000	492,000	–
Vested	–	–	5,000
Exercised	–	–	–
Forfeited	–	48,000	–
Unexercised	90,000	444,000	5,000

(b) Price information

(Yen)

	1dt stock options	3rd stock options	4th stock options
Exercise price	33	100	603
Average stock price at time of exercise	863	799	790
Fair valuation unit price on date of grant	–	–	–

	5th stock options	6th stock options	7th stock options
Exercise price	603	1,142	3,795
Average stock price at time of exercise	–	–	–
Fair valuation unit price on date of grant	–	–	1,430

3. Estimation method for fair valuation price of stock options

(1) Since the Company's shares were unlisted at the time the first to sixth stock options were granted, the fair valuation price of stock options is estimated based on the estimation of the 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.

(2) The method for estimating the fair valuation price of the 7th round of stock options is as follows:

(a) Evaluation method used: Black-Scholes model

(b) Main basic figures and estimation method

	7th stock options
Stock price volatility[1)]	40.10%
Expected remaining period[2)]	Six years
Forecasted dividend[3)]	0 yen/share
Risk-free interest rate[4)]	(0.102%)

Notes:

1) Based on the simple average of the volatilities of similar listed companies

2) Based on the average remaining period between the exercise commencement date and maturity date.

3) Based on actual dividends for the most recent fiscal year.

4) The risk-free interest rate is set at 0% because the yield on government bonds corresponding to the expected remaining period is negative.

4. Estimation method for number of vested stock options

Since it is difficult to reasonably estimate the number of stock options that will expire in the future, a method has been adopted that reflects purely the number of stock options that have actually been forfeited.

5. The total intrinsic value at the end of the current consolidated fiscal year when calculated based on the intrinsic value per unit of stock options and the total intrinsic value on the exercise date of stock options exercised during the current consolidated fiscal year

(a) Total intrinsic value at the end of the current consolidated fiscal year: 956,893 thousand yen

(b) Total intrinsic value on the exercise date of stock options exercised during the current consolidated fiscal year: 69,459 thousand yen

(Restricted stock compensation)

1. Details, scale, and fluctuation of transactions involving the pre-issued grants of shares as part of the compensation for directors

(1) Details

(a) Restricted stock to executives and employees of the Company

Guarantees	Eight executives of the Company 38 employees of the Company
Number of stock options by stock type*	Common stock 448,674 shares
Date of grant	December 19, 2022
Transfer restriction period	Eligible employees are subject to the following restriction on the allotted shares: 1) For one-third of the allotted shares (rounded down to the nearest whole share, hereinafter referred to as 'Allotted Shares A'), the transfer restriction period ('Transfer Restriction Period A') is from December 19, 2022 (the payment date) until December 31, 2023. 2) For one-quarter of the allotted shares, excluding Allotted Shares A (rounded down to the nearest whole share, hereinafter referred to as 'Allotted Shares B'), the transfer restriction period ('Transfer Restriction Period B') is from December 19, 2022 (the payment date) until June 30, 2024. 3) For one-third of the allotted shares, excluding Allotted Shares A and B (rounded down to the nearest whole share, hereinafter referred to as 'Allotted Shares C'), the transfer restriction period ('Transfer Restriction Period C') is from December 19, 2022 (the payment date) until December 31, 2024. 4) For one-half of the remaining allotted shares, excluding Allotted Shares A through C (rounded down to the nearest whole share, hereinafter referred to as 'Allotted Shares D'), the transfer restriction period ('Transfer Restriction Period D') is from December 19, 2022 (the payment date) until June 30, 2025. 5) For the remaining allotted shares (hereinafter referred to as 'Allotted Shares E'), the transfer restriction period ('Transfer Restriction Period E') is from December 19, 2022 (the payment date) until December 19, 2025. Collectively or individually, the Transfer Restriction Periods A through E are referred to as the 'Transfer Restriction Periods'. During the respective Transfer Restriction Periods, the employees may not transfer, pledge, or otherwise dispose of the allotted shares.
Conditions for lifting restrictions	1) Transfer restrictions on the entirety of the allocated shares A shall be lifted upon the expiration of the transfer restriction period A, conditional upon the target employee having continuously held the position of an executive officer or employee of our company during transfer restriction period A. 2) Transfer restrictions on the entirety of the allocated shares B shall be lifted upon the expiration of the transfer restriction period B, conditional upon the target employee having continuously held the position of an executive officer or employee of our company during transfer restriction period B. However, should the target employee lose their status as an executive officer or employee during the transfer restriction period B due to the completion of their term of employment (or the completion of a reemployment period following mandatory retirement), death, or any other reason deemed legitimate by our company's Board of Directors, the transfer restrictions on the allocated shares B will be lifted immediately after such loss. The number of shares from which the transfer restrictions will be lifted is calculated by taking the number of months from the month following the expiration date of transfer restriction period A to the month that includes the date of status loss (if the status is lost during transfer restriction period A, the number of months will be zero), dividing this number by six, and then multiplying by the number of allocated shares B, with any fractional shares resulting from this calculation being rounded down. 3) Transfer restrictions on the entirety of the allocated shares C shall be lifted upon the expiration of the transfer restriction period C, conditional upon the target employee having continuously held the position of an executive officer or employee of our company during transfer restriction period C. However, should the target employee lose their status as an executive officer or employee during the transfer restriction period C due to the completion of their term of employment (or the completion of a reemployment period following mandatory retirement), death, or any other reason deemed legitimate by our company's Board of Directors, the transfer restrictions on the allocated shares C will be lifted immediately after such loss. The number of shares from which the transfer restrictions will be lifted is calculated by taking the number of months from the month following the expiration date of transfer restriction period B to the month that includes the date of status loss (if the status is lost during transfer restriction period B, the number of months will be zero), dividing this number by six, and then multiplying by the number of allocated shares C, with any fractional shares resulting from this calculation being rounded down. 4) Transfer restrictions on the entirety of the allocated shares D shall be lifted upon the expiration of the transfer restriction period D, conditional upon the target employee having continuously held the position of an executive officer or employee of our company during transfer restriction period D. However, should the target employee lose their status as an executive officer

	or employee during the transfer restriction period D due to the completion of their term of employment (or the completion of a reemployment period following mandatory retirement), death, or any other reason deemed legitimate by our company's Board of Directors, the transfer restrictions on the allocated shares D will be lifted immediately after such loss. The number of shares from which the transfer restrictions will be lifted is calculated by taking the number of months from the month following the expiration date of transfer restriction period C to the month that includes the date of status loss (if the status is lost during transfer restriction period C, the number of months will be zero), dividing this number by six, and then multiplying by the number of allocated shares D, with any fractional shares resulting from this calculation being rounded down. 5) Transfer restrictions on the entirety of the allocated shares E shall be lifted upon the expiration of the transfer restriction period E, conditional upon the target employee having continuously held the position of an executive officer or employee of our company during transfer restriction period E. However, should the target employee lose their status as an executive officer or employee during the transfer restriction period E due to the completion of their term of employment (or the completion of a reemployment period following mandatory retirement), death, or any other reason deemed legitimate by our company's Board of Directors, the transfer restrictions on the allocated shares E will be lifted immediately after such loss. The number of shares from which the transfer restrictions will be lifted is calculated by taking the number of months from the month following the expiration date of transfer restriction period D to the month that includes the date of status loss (if the status is lost during transfer restriction period D, the number of months will be zero), dividing this number by six, and then multiplying by the number of allocated shares E, with any fractional shares resulting from this calculation being rounded down.

(b) Restricted stock to directors of the Company

Guarantee	One director of the Company
Number of stock options by stock type*	Common stock 154,043 shares
Date of grant	June 15, 2023
Transfer restriction period	The targeted directors shall not transfer, pledge, or dispose of the common shares of our company (hereinafter referred to as "the allocated shares") allocated to them based on this allocation agreement during the period from June 15, 2023 (payment due date) to June 15, 2026.
Conditions for lifting restrictions	The transfer restrictions on all the allocated shares shall be lifted on the expiration date of the transfer restriction period, provided that the targeted directors have continuously held the position of a director of our company during the transfer restriction period. However, should the targeted directors lose their position as a director of our company during the transfer restriction period due to the expiration of their term, death, or any other reason deemed legitimate by the company's Board of Directors, the transfer restrictions on the allocated shares will be lifted immediately after such loss. In the event of loss of position after the lapse of the fiscal year to which the date of allocation of the allocated shares belongs and after a period of three months (i.e., any date after January 1, 2024), the number of shares from which the transfer restrictions will be lifted is calculated by taking the number of months from the month following the payment due date to the month that includes the date of loss of position, dividing this number by 36, and then multiplying by the number of allocated shares, with any fractional shares resulting from this calculation being rounded down.

(2) The size of pre-issued grants and fluctuations thereof

(a) Expense amount and account titles

	Current fiscal year (ended Sep. 30, 2023)
Stock-based compensation expenses under sales and general administrative expenses	204,047 (thousand yen)

(b) Number of shares

Previous fiscal year ended Sep. 30, 2022 (shares)	-
Number of granted shares	602,717
Number of shares acquired at no cost	1,280
Number of vested shares	-
Number of non-vested shares	601,437

(c) Unit price information

(Yen)

	Restricted stock to executives and employees of the Company	Restricted stock to directors of the Company
Fair value per share on the grant date	785	779

2. Estimation method for Fair value per share on the grant date

The issue price (paid-in amount) of the New Share Issuance as Restricted Stock to executives and employees was determined as the higher amount of either (a) the closing price of the Company's common stock on the Tokyo Stock Exchange on November 7, 2022 (the business day prior to the date of the resolution by the Board of Directors) of 705 yen, or (b) the average closing price of each trading day from November 9, 2022 to November 16, 2022 (excluding days with no closing price and rounding up fractions less than one yen).

Also, the issue price (paid-in amount) of the New Share Issuance as Restricted Stock to directors was calculated based on the closing price of the Company's common stock on the Tokyo Stock Exchange on May 24, 2023.

3. Estimation method for Number of vested shares

Regarding the pre-issued grants, since it is basically difficult to reasonably estimate the number of confiscations in the future, the Company applies a method that only reflects the actual number of confiscations.

Tax effect accounting

1. Breakdown of deferred tax assets and liabilities by main cause

(Thousand yen)

	Previous fiscal year (ended Sep. 30, 2022)	Current fiscal year (ended Sep. 30, 2023)
Deferred tax assets		
Tax loss carryforward*	1,102,790	1,220,822
Depreciation costs	21,754	32,273
Investment securities	4,266	20,880
Software	210,497	243,060
Impairment loss	15,006	12,963
Enterprise tax payable	8,948	15,479
Allowance for doubtful receivables	–	1,037
Allowance for losses on order received	2,844	16,666
Stock-based compensation expense	–	58,246
Other	6,636	21,958
Subtotal deferred tax assets	1,372,748	1,643,389
Valuation allowance for tax loss carryforward*	(1,102,790)	(1,220,822)
Valuation allowance for future deductible amounts	(269,954)	(389,340)
Subtotal less valuation allowance	(1,372,745)	(1,610,163)
Total deferred tax assets	–	33,225
Deferred tax liabilities		
Forward exchange contracts	(12,805)	(18,493)
Total deferred tax liabilities	(12,805)	(18,493)
Net deferred tax assets	–	33,225
Net deferred tax liabilities	(12,805)	(18,493)

Note: Amount of tax loss carryforward and deferred tax assets by carryover period

Previous fiscal year ended Sep. 30, 2022

(Thousand yen)

	Due within one year	Due between one and two years	Due between two and three years	Due between three and four years	Due between four and five years	Due after five years	Total
Tax loss carryforward*	21,641	100,099	94,030	45,079	83,222	758,716	1,102,790
Valuation allowance	(21,641)	(100,099)	(94,030)	(45,079)	(83,222)	(758,716)	(1,102,790)
Deferred tax assets	–	–	–	–	–	–	–

* Tax loss carryforwards are the product of multiplication with the effective statutory tax rate.

Current fiscal year ended Sep. 30, 2023

(Thousand yen)

	Due within one year	Due between one and two years	Due between two and three years	Due between three and four years	Due between four and five years	Due after five years	Total
Tax loss carryforward*	100,099	94,030	45,079	83,222	178,499	719,891	1,220,822
Valuation allowance	(100,099)	(94,030)	(45,079)	(83,222)	(178,499)	(719,898)	(1,220,822)
Deferred tax assets	–	–	–	–	–	–	–

* Tax loss carryforwards are the product of multiplication with the effective statutory tax rate.

2. Information on reconciliations between the normal effective statutory tax rate and the actual effective tax rate

Previous fiscal year ended Sep. 30, 2022

Loss before income taxes has been recorded and therefore omitted.

Current fiscal year ended Sep. 30, 2023

Loss before income taxes has been recorded and therefore omitted.

(Merger related)

Merger through acquisition

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

1. Outline of the merger

(1) Name and business of acquired company

agito, Inc.

Planning, development, and operation of marketing data platform Databeat, and marketing support

(2) Reason for the merger In February 2022, we launched KARTE Signals which allows for the use of first party customer data in Internet advertising. With agito, Inc. joining the Plaid Group, we will be able to further develop our services in the Internet advertising field to expand our business.

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

(a) Accelerate the use of first party customer data in Internet advertising Internet advertising has traditionally focused on maximizing conversion (acquisition) through advertising (attracting customers). As such, it has been difficult to measure intrinsic results such as customer lifetime value (LTV) and Net Promoter Score℠*, 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)). 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. Net Promoter Score℠ and Net Promoter System℠ are service marks of Bain & Company, Inc., Satmetrix Systems, Inc., and Fred Reichheld.

(b) Creating ad reports and automating operational work The work of Internet advertising is extremely complicated. The people in charge are busy with work such as creating the ads, extracting 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) Expanding sales of KARTE Signals to Databeat customers Databeat has been used by 234 companies, mainly Internet advertising agencies, in Japan (as of the end of September 2022). Going forward, we will focus on expanding sales of KARTE Signals to companies that are using Databeat, and will also develop sales channels through distributors.

(3) Date of merger

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

(4) Legal form of merger

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

(5) Name of company after merger

No change.

(6) Percentage of voting rights acquired

66.76%

(7) Main grounds for deciding on acquired company

The Company acquired the shares in consideration of cash.

2. The period of the acquired company's performance included in the consolidated financial statements
From January 1, 2023 to September 30, 2023

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

Consideration for acquisition	225,626 thousand yen
Acquisition cost	225,626 thousand yen

4. Details and amounts of major acquisition-related expenses
Advisory fee, etc.: 10,453 thousand yen

5. Amount of goodwill, basis of recognizing goodwill, and the method and period of amortization
(1) The amount of goodwill
202,700 thousand yen

(2) Cause of occurrence
Primarily, it is excess earning power expected from agito, Inc.'s future business development.

(3) Amortization method and amortization period
Six-year straight-line amortization

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

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

Additional acquisition of subsidiary shares
At the board of directors meeting held on May 25, 2023, the Company resolved to subscribe for a portion of the third-party allotment capital increase conducted by Emotion Tech, Inc., a consolidated subsidiary, and to acquire shares from non-controlling shareholders. The payments were completed on May 29, 2023, and May 30, 2023.

1. Outline of the merger
(1) Name and business of acquired company
agito, Inc.
Planning, development, and operation of marketing data platform Databeat, and marketing support

(2) Date of the merger
May 29, 2023 (Acquisition of shares from non-controlling shareholders)
May 30, 2023 (Acquisition of shares through the subscription of third-party allotment capital increase)
June 30, 2023 (Deemed acquisition date)

(3) Legal form of merger
Acquisition of shares in exchange for cash and underwriting capital increase by third-party allotment

(4) Name of company after merger
No change.

(5) Matters concerning the outline of other transactions
Since its founding in March 2013, Emotion Tech, Inc. has supported over 500 companies in the field of experience management (XM), which utilizes customer and employee feedback in business activities. The purpose of the recent capital increase and share acquisition was to further strengthen service development and organizational structure. As a result of this transaction, the COmpany's ownership percentage decreased from 64.0% before the capital increase to 62.9%.

2. Acquisition cost of additionally acquired subsidiary shares and the breakdown by type of consideration

Consideration of acquisition	Cash and deposit	297,375 thousand yen
Cost of acquisition		297,375 thousand yen

3. Summary of the accounting treatment
Based on the 'Accounting Standard for Business Combinations' (Business Accounting Standard No. 21, issued January 16, 2019) and the 'Guidance on Accounting Standard for Business Combinations and Accounting

Standard for Business Divestitures, etc.' (Business Accounting Standard Application Guidance No. 10, issued January 16, 2019), among the transactions under common control, the transaction has been treated as a transaction with non-controlling shareholders.

4. Matters related to changes in the Company's ownership interests due to transactions with non-controlling shareholders

(1) Main factors affecting changes in capital surplus

Changes in ownership interest due to third-party allotment capital increase with the Company and third parties other than the Company as subscribers, and the additional acquisition of shares

(2) The amount of capital surplus increased due to transactions with non-controlling shareholders

123,468 thousand yen

(Asset retirement obligation)

Previous fiscal year ended Sep. 30, 2022

Not applicable.

Current fiscal year ended Sep. 30, 2023

The Company and its consolidated subsidiaries recognize obligations associated with the restoration of the original condition of offices upon termination of the real estate lease agreements for our head office and other offices as asset retirement obligations.

Since security deposits related to the lease agreements are recorded as assets, instead of recognizing a liability for the said asset retirement obligations, we estimate the amount that is considered unlikely to be recovered from these security deposits and expense the portion that pertains to the current consolidated fiscal year.

(Revenue recognition)

1. A breakdown of revenue from contracts with customers

Previous fiscal year ended Sep. 30, 2022

(Thousand yen)

	Sales		Total
	Products	Services	
Goods or services transferred over time	6,475,133	277,692	6,752,826
Goods or services transferred at a single point in time	—	542,408	542,408
Revenue generated from contracts with customers	6,475,133	820,101	7,295,234
Other revenue	—	—	—
Sales to external customers	6,475,133	820,101	7,295,234

Note: The Group has one segment. Information is presented in a breakdown of revenue arising from contracts with customers for each product and service, categorized by the timing of revenue recognition.

Current fiscal year ended Sep. 30, 2023

(Thousand yen)

	Sales			Total
	Products	Services	Other	
Goods or services transferred over time	7,335,082	679,717	10,551	8,025,351
Goods or services transferred at a single point in time	—	608,236	50	608,286
Revenue generated from contracts with customers	7,335,082	1,287,954	10,601	8,633,638
Other revenue	—	—	—	
Sales to external customers	7,335,082	1,287,954	10,601	8,633,638

Note: The Group's reportable segments consist of the SaaS business and the advertising business. However, as the the proportion of the advertising business within the entire segment is minimal and lacks significance in terms of disclosure information, the segment information has been omitted.

2. Information that is the basis for understanding revenue generated from contracts with customers

As described in "Important Matters Fundamental for the Preparation of Consolidated Financial Statements: 3. Accounting Policies (8) Criteria for recording significant revenues and expenses."

3. Information on the relationship between satisfying performance obligations under a contract with customers and the cash flow arising from the contract, and the amount and timing of revenue that is expected to be recognized from the contract with the customer existing at the end of the current to the following fiscal year and beyond

(1) Balance of contract assets and contract liabilities, etc.

(Thousand yen)

	Previous fiscal year	Current fiscal year
Receivables arising from contracts with customers (Beginning balance)	645,983	710,444
Receivables arising from contracts with customers (Ending balance)	710,444	980,467
Contract liabilities (Beginning balance)	165,019	396,699
Contract liabilities (Ending balance)	396,699	504,487

Contract liabilities mainly relate to deferred revenue arising from receiving lump-sum payments from customers for the monthly basic fee covering the contract period and are amortized over the period of provision of products and services. Of the amount of revenue recognized in the previous fiscal year, the amount included in the balance of contract liabilities as of the beginning of the period was 165,019 thousand yen. For the current fiscal year, the amount included in the balance of contract liabilities as of the beginning of the period was 396,699 thousand yen.

(Segment information, etc.)

[Segment information]

Previous fiscal year ended Sep. 30, 2022

This information is omitted as the Company operates a single segment, namely the SaaS business.

Current fiscal year ended Sep. 30, 2023

The reportable segments of the Group are the SaaS business and advertising business. However, the share of the advertising business is small with the total segments, and its significance for disclosure purposes is limited, thus the segment information is omitted.

[Supplementary information]

Previous fiscal year ended Sep. 30, 2022

1. Information by product and service

(Thousand yen)

	Products	Services	Total
Sales to external customers	6,475,133	820,101	7,295,234

2. Information by geographical area

(1) Net sales

This information is omitted because there are no sales to external customers outside Japan.

(2) Property and equipments

This information is omitted because there are no property and equipment located outside Japan.

3. Information by major customers

This information is omitted because no external customer accounted for 10% or more of net sales in the statements of income (loss).

Current fiscal year ended Sep. 30, 2023

1. Information by product and service

(Thousand yen)

	Products	Services	Other	Total
Sales to external customers	7,335,082	1,287,954	10,601	8,633,638

2. Information by geographical area

(1) Net sales

This information is omitted because there are no sales to external customers outside Japan.

(2) Property and equipments

This information is omitted because there are no property and equipment located outside Japan.

3. Information by major customers

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]

Previous fiscal year ended Sep. 30, 2022

Since the Group operates as a single segment in the SaaS business, the segment information is omitted.

Current fiscal year ended Sep. 30, 2023

The reportable segments of the Group are the SaaS business and advertising business. However, the share of the advertising business is small with the total segments, and its significance for disclosure purposes is limited, thus the segment information is omitted.

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

Previous fiscal year ended Sep. 30, 2022

Since the Group operates as a single segment in the SaaS business, the segment information is omitted.

Current fiscal year ended Sep. 30, 2023

The reportable segments of the Group are the SaaS business and advertising business. However, the share of the advertising business is small with the total segments, and its significance for disclosure purposes is limited, thus the segment information is omitted.

[Information about gain on negative goodwill by reportable segment]

Previous fiscal year ended Sep. 30, 2022

Not applicable.

Current fiscal year ended Sep. 30, 2023

Not applicable.

[Related party information]

1. Transactions with related parties

(1) Transactions between the company submitting the consolidated financial statements and related parties

(a) Officers and major shareholders (limited to individuals), etc. of the company submitting the consolidated financial statements

Previous fiscal year ended Sep. 30, 2022

Omitted due to lack of significance.

Current fiscal year ended Sep. 30, 2023

	Name of company or individual	Common stock or capital contribution (thousand yen)	Description of business or occupation	Details of transaction	Transaction amount (thousand yen)	Item	Year-end balance (thousand yen)
Officer	Keitaro Takayanagi	0.7 directly held	Company director	In-kind contribution of monetary compensation claims(1)	119,999	–	–
Officer	Kentaro Muto	0.6 directly held	Company director	Loan of funds(2) Receipt of interest	– 100	Long-term loans to director	10,007

Transaction terms and policies for determining transaction conditions

Notes: 1) It is an in-kind contribution of monetary compensation claims based on a restricted stock compensation system.

2) The interest rate for loans is determined rationally, taking market interest rate into consideration.

(Per share information)

	Previous fiscal year (ended Sep. 30, 2022)	Current fiscal year (ended Sep. 30, 2023)
Net assets per share	104.98 yen	65.89 yen
Net income (loss) per share	(24.30) yen	(53.92) yen

Note: Information on diluted net income per share for the current consolidated fiscal year is not stated as, even though there are dilutive shares, a net loss per share has been recorded.

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

	Previous fiscal year (ended Sep. 30, 2022)	Current fiscal year (ended Sep. 30, 2023)
Net income (loss) attributable to owners of parent (thousand yen)	(930,777)	(2,108,610)
Amount not attributable to common shareholders (thousand yen)	–	–
Net income (loss) attributable to owners of parent with respect to common stock (thousand yen)	(930,777)	(2,108,610)
Weighted average number of shares	38,305,550	39,103,231
Outline of potential common stock excluded from the computation of diluted net income per share due to its non-dilutive effect	One type of stock acquisition right (Number of stock acquisition rights: 5,000 shares of common stock) An overview of the stock acquisition rights is as described in “Item 4. Status of the Submitting Company and Status of Shares (2) Status of stock acquisition rights (a) Detail of stock option system.”	Two types of stock acquisition right (Number of stock acquisition rights: 449,000 shares of common stock) An overview of the stock acquisition rights is as described in “Item 4. Status of the Submitting Company and Status of Shares (2) Status of stock acquisition rights (a) Detail of stock option system.”

(Significant subsequent event)

Not applicable.

[Consolidated supplementary schedules]

[Schedule of corporate bonds]

Not applicable.

[Details if borrowings]

	Beginning balance (thousand yen)	Ending balance (thousand yen)	Average interest rate (%)	Repayment deadline
Short-term debt	200,000	1,660	1.90	–
Current portion of long-term debt	513,076	384,628	1.20	–
Long-term debt (excluding current portion)	1,126,438	990,540	1.27	2024 - 2035
Total	1,839,514	1,376,828	–	–

Notes:

1) The average interest rate is the weighted average interest rate for the year-end balance of loans outstanding.

2) The scheduled repayment amounts for long-term debt and lease obligations (excluding current portion) for the five years following the consolidated closing date are as follows:

	Between one and two years (thousand yen)	Between two and three years (thousand yen)	Between three and four years (thousand yen)	Between four and five years (thousand yen)
Long-term debt	510,838	319,374	22,644	22,644

[Asset retirement obligation schedule]

Not applicable.

[Other]

Quarterly information, etc. for the current consolidated fiscal year

(Cumulative period)	End of Q1	End of Q2	End of Q3	Current fiscal year
Net sales (thousand yen)	1,952,501	4,100,273	6,310,827	8,633,638
Net income (loss) before adjustments for taxes, etc. (thousand yen)	(139,383)	(266,221)	(637,536)	(2,125,760)
Net income (loss) attributable to owners of the parent (thousand yen)	(128,926)	(267,657)	(647,921)	(2,108,610)
Net income (loss) per share (yen)	(3.33)	(6.88)	(16.60)	(53.92)

(Fiscal period)	End of Q1	End of Q2	End of Q3	End of Q4
Net quarterly income (loss) per share (yen)	(3.33)	(3.54)	(9.70)	(37.13)

2 Financial Statements

(1) Financial statements

(a) Balance sheet

(Thousand yen)

	Previous fiscal year (ended Sep. 30, 2022)	Current fiscal year (ended Sep. 30, 2023)
Assets		
Current assets		
Cash and deposits	3,864,273	2,963,658
Notes receivable - trade	615,824[1)]	813,788[1)]
Prepaid expenses	124,085	374,955
Short-term loans to subsidiaries and affiliates	200,000[1)]	300,000[1)]
Other	137,433	130,415
Allowance for doubtful receivables	—	(204,992)
Total current assets	4,941,616	4,377,825
Non-current assets		
Property and equipments		
Buildings	26,227	26,227
Accumulated depreciation	(26,186)	(26,227)
Buildings, net	40	0
Tools, furniture and fixtures	164,371	181,966
Accumulated depreciation	(103,597)	(124,369)
Tools, furniture and fixtures, net	60,773	57,597
Property and equipments, net	60,814	57,597
Investments and other assets		
Shares of subsidiaries and affiliates	1,719,740	608,235
Investment securities	110,395	56,137
Lease and guarantee deposits	284,579	251,914
Long-term loans to employees	16,414	4,229
Long-term loans to directors	—	10,007
Claims provable in rehabilitation from bankruptcy	—	3,388
Long-term prepaid expenses	—	113,940
Allowance for doubtful receivables	—	(3,388)
Total investments and other assets	2,131,129	1,044,465
Total non-current assets	2,191,944	1,102,062
Total assets	7,133,560	5,479,888

(Thousand yen)

	Previous fiscal year (ended Sep. 30, 2022)	Current fiscal year (ended Sep. 30, 2023)
Liabilities		
Current liabilities		
Short-term debt	200,000	—
Current portion of long-term debt	502,720[2)]	364,000[2)]
Accounts payable - other	487,266[1)]	656,140[1)]
Income taxes payable	29,863	44,895
Contract liabilities	342,735	432,315
Lease and guarantee deposits	—	300,000
Allowance for losses on order received	9,289	54,429
Other	172,117	268,257
Total current liabilities	1,743,991	2,120,038
Long-term liabilities		
Long-term debt	965,600[2)]	735,800[2)]
Deferred tax liabilities	12,805	18,493
Total long-term liabilities	978,405	754,293
Total liabilities	2,722,397	2,874,332
Net assets		
Shareholders' equity		
Capital stock	2,690,028	2,945,895
Capital surplus		
Capital reserve	4,650,030	4,905,897
Total capital surplus	4,650,030	4,905,897
Retained earnings (Accumulated deficit)		
Other retained earnings		
Retained earnings (Accumulated deficit)	(2,963,400)	(5,295,009)
Total retained earnings	(2,963,400)	(5,295,009)
Treasury shares	(228)	(279)
Total shareholders' equity	4,376,430	2,556,504
Adjustments for valuation, translation, etc.		
Deferred gains or losses on hedges	29,015	41,904
Total adjustments for valuation, transactions, etc.	29,015	41,904
Stock acquisition right	5,718	7,147
Total net assets	4,411,163	2,605,556
Total liabilities and net assets	7,133,560	5,479,888

(b) Income statement

(Thousand yen)

	Previous fiscal year (ended Sep. 30, 2022)	Current fiscal year (ended Sep. 30, 2023)
Net sales	6,551,420[1]	7,644,542[1]
Cost of sales	1,648,824[1][2]	2,112,967[1][2]
Gross profit	4,902,596	5,531,575
Selling general and administrative expenses	5,335,817[3]	5,929,382[3]
Operating income (loss)	(433,221)	(397,806)
Non-operating income		
Interest income	1,259[1]	2,572[1]
Subsidy income	438	―
Commission received	14,886[1]	24,896[1]
Other	580	870
Total non-operating income	17,164	28,339
Non-operating expenses		
Interest expenses	26,407	17,329
Commission fee	2,506	16,082
Foreign exchange loss	57,444	13,525
Other	3,293	7,190
Total non-operating expenses	89,653	54,127
Ordinary income (loss)	(505,709)	(423,594)
Extraordinary losses		
Loss on valuation of investment securities	13,934	54,257
Loss on valuation of subsidiaries and affiliates	―	1,644,958[4]
Allowance for doubtful receivables of subsidiaries and affiliates	―	204,992
Total extraordinary losses	13,934	1,904,209
Income (loss) before income taxes	(519,644)	(2,327,804)
Income taxes - current	3,806	3,804
Total income taxes	3,806	3,804
Net income (loss)	(523,451)	(2,331,608)

Cost of sales statement

		Previous fiscal year (ended Sep. 30, 2022)		Current fiscal year (ended Sep. 30, 2023)	
	Notes No.	Amount (thousand yen)	Ratio (%)	Amount (thousand yen)	Ratio (%)
I Labor cost		62,821	3.81	201,328	9.53
II Expenses	1	1,586,002	96.19	1,911,638	90.47
Cost of sales		1,648,824	100.00	2,112,967	100.00

Note: 1) The main breakdown is as follows:

Item	Previous fiscal year (ended Sep. 30, 2022)	Current fiscal year (ended Sep. 30, 2023)
Server costs (thousand yen)	1,380,422	1,574,552
Allowance for doubtful receivables (thousand yen)	9,289	45,140
Other (thousand yen)	196,291	291,946

(Cost accounting method)

The Company applies individual cost accounting based on actual costs.

(c) Non-consolidated statement of changes in shareholders' equity
Previous fiscal year(ended Sep.30, 2022)

(Thousand yen)

	Shareholders' equity						
		Capital surplus		Retained earnings			
	Capital stock	Capital reserve	Total capital surplus	Other retained earnings Retained earnings (carried forward)	Total retained earnings	Treasury shares	Total shareholders equity
Beginning balance	2,642,620	4,602,623	4,602,623	(2,439,949)	(2,439,949)	(114)	4,805,179
Changes during year							
Issuance of new shares (Restricted stock compensation)	–	–	–	–	–	–	–
Issuance of new shares (Exercise of stock acquisition right)	47,407	47,407	47,407	–	–	–	94,815
Net income (loss)	–	–	–	(523,451)	(523,451)		(523,451)
Acquisition of treasury shares	–	–	–	–	–	(113)	(113)
Net change in items other than shareholders' equity	–	–	–	–	–	–	–
Total changes during fiscal year	47,407	47,407	47,407	(523,451)	(523,451)	(113)	(428,749)
Year-end balance	2,690,028	4,650,030	4,650,030	(2,963,400)	(2,963,400)	(228)	4,376,430

	Adjustments for valuation, transaction, etc. Deferred gains or losses on hedges	Stock acquisition right	Total net assets
Beginning balance	1,598	2,287	4,809,065
Changes during fiscal year			
Issuance of new shares (Restricted stock compensation)	–	–	–
new shares (Exercise of stock acquisition right)	–	–	94,815
Net income (loss)	–	–	(523,451)
Acquisition of treasury shares	–	–	(113)
Net change in items other than shareholders' equity	27,416	3,430	30,847
Total changes during fiscal year	27,416	3,430	(397,901)
Year-end balance	29,015	5,718	4,411,163

Current fiscal year(ended Sep.30, 2023)

(Thousand yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Retained earnings		Treasury shares	Total shareholders equity
		Capital reserve	Total capital surplus	Other retained earnings Retained earnings (carried forward)	Total retained earnings		
Beginning balance	2,690,028	4,650,030	4,650,030	△2,963,400	△2,963,400	△228	4,376,430
Changes during year							
Issuance of new shares (Restricted stock compensation)	236,104	236,104	236,104	–	–	–	472,208
Issuance of new shares (Exercise of stock acquisition right)	19,762	19,762	19,762	–	–	–	39,525
Net income (loss)	–	–	–	△2,331,608	△2,331,608		△2,331,608
Acquisition of treasury shares	–	–	–	–	–	△50	△50
Net change in items other than shareholders' equity	–	–	–	–	–	–	–
Total changes during fiscal year	255,866	255,866	255,866	△2,331,608	△2,331,608	△50	△1,819,925
Year-end balance	2,945,895	4,905,897	4,905,897	△5,295,009	△5,295,009	△279	2,556,504

	Adjustments for valuation, transaction, etc.	Stock acquisition right	Total net assets
	Deferred gains or losses on hedges		
Beginning balance	29,015	5,718	4,411,163
Changes during fiscal year			
Issuance of new shares (Restricted stock compensation)	–	–	472,208
new shares (Exercise of stock acquisition right)	–	–	39,525
Net income (loss)	–	–	(2,331,608)
Acquisition of treasury shares	–	–	(50)
Net change in items other than shareholders' equity	12,888	1,429	14,318
Total changes during fiscal year	12,888	1,429	(1,805,607)
Year-end balance	41,904	7,147	2,605,556

[Notes on consolidated financial statements]

(Significant accounting policies)

1. Valuation standards and methods for marketable securities

(1) Shares of subsidiaries and affiliates

The moving average method is used.

(2) Other securities

Marketable securities with no fair market value

The moving average method is used.

2. Depreciation method for non-current assets

Property and equipment

The declining balance method is used. However, the straight-line method is used for buildings and accompanying facilities acquired on or after April 1, 2016.

The estimated useful lives of major asset items are as follows:

Buildings: 2 to 5 years

Tools, furniture and fixtures: 4 to 15 years

3. Method of accounting for deferred assets

Stock Issuance Cost

Stock issuance cost is expensed when incurred.

4. Criteria for recording revenues and expenses

In the Company's mainstay SaaS business, revenue generated from contracts with customers is classified into product revenue, which relates to the providing of products, and service revenue, which relates to the providing of professional services. For either type of revenue, any revenues generated from the continuous provision of products or services, such as monthly subscription fees, are recognized as revenues for the period when the products or services are provided to the customer. Any revenue that relates to the initial introduction of a product or the provision of a temporary one-off service is considered to be a transaction fulfilled when the work is complete and so is recognized as revenue generated at one point in time.

5. Significant hedge accounting policies

(a) Hedge accounting method

Deferred hedge accounting method is applied. The Company has applied the allocation method for forward exchange contracts when the requirements for the allocation method are met.

(b) Hedging instruments and hedged items

Hedging instruments: Forward exchange contracts

Hedged items: Accounts payable - other

(c) Hedging policy

In order to reduce the risk of foreign currency fluctuations, the Company conducts hedging within the scope of applicable liabilities.

(d) Method for evaluating the effectiveness of hedging

The Company assesses the hedging effectiveness based on the amount of fluctuation of both the hedged items and the hedging instruments, comparing the cumulative market fluctuations of the hedged items and the hedging instruments during the period from the start of hedging to the time of effectiveness assessment. For items for which the allocation method is applied, the hedging effectiveness assessments are omitted based on the judgment that their effectiveness has been proved at the time of adoption.

6. Foreign currency translations

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).

7. Criteria for recording allowances

Allowance for doubtful receivables

In order to prepare for possible bad debt losses on receivables, the Company records an estimated uncollectible amount based on the loan loss ratio in the case of general receivables and based on individual considerations of the likelihood of collection in the case of specific receivables such as doubtful receivables.

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.

(Significant accounting estimates)

(1) Valuation of stocks of subsidiaries and affiliates

(a) Amount recorded in the financial statements for the fiscal year

(thousand yen)

	Previous fiscal year	Current fiscal year
Shares of subsidiaries and affiliates	1,719,740	608,235
Loss on valuation of shares of subsidiaries and affiliates	–	1,644,958

(b) Information about content of significant accounting estimates for identified items

The acquisition costs of shares of subsidiaries and affiliates are used as the balance sheet amount. The valuation of stocks of subsidiaries and affiliates is based on a comparison of the real value reflecting excess earning capacity with the book value to determine whether there has been a significant decline in the real value. In the event of a significant decline in the actual value of an asset, a corresponding impairment loss is recorded. However, if there is an expectation that the asset will recover, an impairment loss may not be recognized.

In the valuation of Emotion Tech shares, which is the main stock of subsidiaries and affiliates, the real value reflecting excess earning power was calculated using the same assumptions as the measurement of impairment loss on goodwill recorded in the consolidated financial statements. As a result, the actual value has significantly declined, and a loss on valuation of shares of subsidiaries and affiliates of 1,634,958 thousand yen has been recorded as an extraordinary loss in the income statement for the current fiscal year. The balance of shares of subsidiaries and affiliates related to Emotion Tech at the end of the current fiscal year was 372,156 thousand yen.

If it becomes necessary to revise the assumptions used in these estimates in the future, additional valuation losses may be recorded in the next fiscal year.

(2) Collectability of loans to affiliates

(a) Amount recorded in the financial statements for the fiscal year

(thousand yen)

	Previous fiscal year	Current fiscal year
Short-term loans to affiliated companies	200,000	300,000
Allowance for doubtful receivables	–	204,992

(b) Information about content of significant accounting estimates for identified items

Regarding doubtful loans to affiliated companies, in order to prepare for losses due to bad debts, expected uncollectible amounts are calculated by taking into account the possibility of collection on an individual basis, with the estimated uncollectible amount recorded as an allowance for doubtful accounts. In addition, the provision of allowance for doubtful accounts related to loans receivable from affiliates is recorded as an extraordinary loss. When estimating the expected uncollectible amount, each affiliated company's ability to pay is comprehensively assessed, taking into consideration the business plan regarding its future performance and financial condition.

Depending on the financial condition and business performance of the affiliated company, the estimated amount of bad debts may increase or decrease in the next fiscal year's financial statements.

(Change in accounting policies)

Not applicable.

(Change in presentation method)

Balance sheet

In the previous fiscal year, “Prepaid expenses” which were included in “Other” under “Current assets” have now increased their monetary significance. Therefore, from the current fiscal year, it has been decided to present them as a separate line item. To reflect this change in presentation, it has been reclassified the financial statements of the previous fiscal year. As a result, within the balance sheet of the previous fiscal year, the amount that was presented under “Other” under “Current assets,” totaling 461,518 thousand yen, has been reclassified as “Prepaid expenses” amounting to 124,085 thousand yen and “Other” totaling 337,433 thousand yen.

(Balance sheet)

(1) Assets and liabilities of subsidiaries and affiliates

Monetary claims and obligations to subsidiaries and affiliates are as follows:

	Previous fiscal year (ended Sep. 30, 2022)	Current fiscal year (ended Sep. 30, 2023)
Short-term monetary claims	280,715(thousand yen)	356,265(thousand yen)
Short-term monetary obligations	49,273	63,726

(2) Term loan agreement with executable period and loan agreement, and related financial covenants

PLAID has concluded financial loan agreements with MUFG Bank and Resona Bank for the purpose of establishing a stable financing system going forward and refinancing existing loans. Each of these agreements has the following financial covenants, and if any of these are violated, the loans may be repaid in full at the request of the lender.

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

I. On the consolidated balance sheet at the end of each quarter starting from June 2023, the total amount of net assets must be maintained at 50% or more of the total net assets as at the end of September 2022.

II. On the consolidated balance sheet at the end of each quarter starting from June 2023, the amount calculated using the following formula must be maintained at 1,000,000 thousand yen or more.
Calculation formula: Cash and deposits - Interest-bearing debt

III. On the non-consolidated balance sheet at the end of each quarter starting from June 2023, the amount calculated using the following formula must be maintained at 700,000 thousand yen or more.
Calculation formula: Cash and deposits - Interest-bearing debt

The undrawn balance of term loans with executable period as of the end of the current consolidated fiscal year is as follows.

Term loans with executable period	1,000,000(thousand yen)
Outstanding balance of unexecuted loans	600,000(thousand yen)
Balance due	400,000(thousand yen)

(2) Loan agreement (with Resona Bank)

I. The consolidated adjusted operating income for the fiscal year ending September 2025 shall not be a loss.
Calculation formula: Operating income + Goodwill amortization + Stock-based compensation expenses + Other non-recurring expenses

II. The amount of net assets on the consolidated balance sheet at the end of each fiscal year and second quarter shall be maintained at 50% or more compared to the fiscal year ended September 2022.

III. The amount of cash and deposits minus interest-bearing debt shown on the consolidated balance sheet at the end of each fiscal year and second quarter shall be maintained at 1,000,000 thousand yen or more.

The debt balance at the end of the current consolidated fiscal year is as follows.

Debt balance as on September 30, 2023	428,600(thousand yen)	(of which 142,800 thousand yen scheduled to be repaid within one year)

(Income statement related)

(1) Transactions with subsidiaries and affiliates

(Thousand yen)

	Previous fiscal year (ended Sep. 30, 2022)	Current fiscal year (ended Sep. 30, 2023)
Transaction volume from business transactions		
Net sales	1,600	13,210
Purchase amount	24,819	121,887
Transaction volume from non-business transactions	15,272	27,143

(2) Provision of allowance for loss on orders received included in cost of sales

	Previous fiscal year (ended Sep. 30, 2022)	Current fiscal year (ended Sep. 30, 2023)
Provision of allowance for loss on orders received	9,289	45,140

(3) Selling expenses accounted for approximately 14% in the previous fiscal year and 14% in the current fiscal year. General and administrative expenses accounted for approximately 86% in the previous fiscal year and 86% in the current fiscal year.

The major items and amounts of SG&A expenses are as follows:

(Thousand yen)

	Previous fiscal year (ended Sep. 30, 2022)	Current fiscal year (ended Sep. 30, 2023)
Salaries and allowance	2,374,442	2,467,147
Advertising expenses	632,339	687,038
Rents	310,246	288,320
Depreciation costs	33,273	38,232
Provision of allowance for doubtful accounts	(525)	3,388

(4) Valuation loss on affiliated company shares

Previous fiscal year ended Sep. 30, 2022

Not applicable.

Current fiscal year ended Sep. 30, 2023

The valuation loss on affiliated company shares pertains to the Company's subsidiaries, Emotion Tech, Inc. amounting to 1,634,958 thousand yen and RightTouch, Inc. amounting to 10,000 thousand yen.

(Investment securities)

Shares of subsidiaries and affiliates

Previous fiscal year ended September 30, 2022

Stocks of subsidiaries (amount on the balance sheet for the previous fiscal year: 1,719,740 thousand yen) are not listed because there are no quoted market prices and it is extremely difficult to determine their fair value.

Current fiscal year ended September 30, 2023

Stocks of subsidiaries (amount on the balance sheet for the current fiscal year: 608,235 thousand yen) are not listed because there are no quoted market prices.

(Tax effect accounting)

1. Breakdown of deferred tax assets and liabilities by main cause

	Previous fiscal year (ended Sep 30, 2022)	Current fiscal year (ended Sep. 30, 2023)
Deferred tax assets		
Tax loss carryforward	755,605千円	764,169千円
Depreciation costs	21,475	27,184
Investment securities	25,787	42,401
Shares of subsidiaries and affiliates	－	503,686
Software	200,165	225,283
Impairment loss	12,250	－
Enterprise tax payable	8,948	12,582
Allowance for doubtful receivables	－	63,806
Provision of allowance for loss on orders received	2,844	16,666
Stock-based compensation expenses	－	58,246
Other	6,566	11,261
Subtotal deferred tax assets	1,033,644	1,725,289
Valuation allowance for tax loss carryforwards for tax purposes	△755,605	△764,169
Valuation allowance for future deductible amounts	△278,038	△961,119
Subtotal less valuation allowance	△1,033,644	△1,725,289
Total deferred tax assets	－	－
Deferred tax liabilities		
Forward exchange contracts	△12,805	△18,493
Total deferred tax liabilities	△12,805	△18,493
Net deferred tax liabilities	△12,805	△18,493

2. Information on reconciliations between the normal effective statutory tax rate and the actual effective tax rate

Previous fiscal year ended Sep. 30, 2022

Information is omitted because a net loss before tax has been recorded.

Current fiscal year ended Sep. 30, 2023

Information is omitted because a net loss before tax has been recorded

(Revenue recognition)

Notes are omitted because the same content is described in the “Notes on consolidated financial statements: Revenue recognition” section of the consolidated financial statements.

(Significant subsequent events)

Not applicable.

[Non-consolidated supplement schedules]

[Schedule for property, plant and equipment, etc.]

(Thousand yen)

Type of assets	Beginning balance	Increase	Decrease	Ending balance	Accumulated depreciation or amortization at the end of current period	Amortization during the period	Balance at the end of current period
Property and equipment							
Buildings	26,227	–	–	26,227	26,227	40	0
Tools, furniture and fixtures	164,371	36,329	18,734	181,966	124,369	38,192	57,597
Total property and equipment	190,599	36,329	18,734	208,194	150,596	38,232	57,597

Note: 1. The main items for the increase in the current fiscal year are as follows:

Tools, furniture and fixtures	Increase (thousand yen)	Computers, etc.	36,329

Note: 2. The main items for the decrease in the current fiscal year are as follows:

Tools, furniture and fixtures	Decrease (thousand yen)	Computers, etc.	18,734

[Schedule of allowances]

	Beginning balance	Increase	Decrease (Intended use)	Decrease (Other)	Ending balance
Allowance for doubtful receivables	–	208,380	–	–	208,380
Allowance for losses on order received	9,289	54,429	9,289	–	54,429

Note: Decrease (other) in allowance for doubtful accounts is the reassessment amount.

(2) [Details of major assets and liabilities]

Information is omitted as consolidated financial statements are being prepared.

(3) [Other]

Not applicable.

Key audit matters

Key audit matters are those which, in the auditor's professional judgement, were of most significance in the audit of the consolidated financial statements for the current fiscal year. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the audit opinion. As the auditing firm used, we do not provide a separate opinion on these matters.

Validity of judgment regarding evaluation of goodwill for Emotion Tech, Inc.	
Key audit matters and reasons for decisions	Audit response
As noted in the significant matters "Impairment loss (Consolidated statement of income) Note 4," an impairment loss of 1,121,618 thousand yen related to the goodwill arising from the acquisition of control over Emotion Tech, Inc. has been recorded in the consolidated statement of income for this fiscal year. Goodwill is identified on a case-by-case basis and amortized evenly over a reasonable number of years. However, if there are indications of impairment, it is necessary to determine whether an impairment loss should be recognized by comparing the total undiscounted future cash flows that can be obtained from the asset group to the carrying amount. As a result of this assessment, if it is determined that an impairment loss needs to be recognized, the carrying amount is reduced to the recoverable amount, and the reduction in the carrying amount is recognized as an impairment loss. There have been recognized indications of impairment in the asset group, including goodwill, related to Emotion Tech, Inc. because the progress in improving operating income is expected to be slower than the business plan of the company at the time of acquisition of control. Therefore, the necessity of recognizing an impairment loss has been assessed in this consolidated fiscal year, and it has been determined that an impairment loss is required because the total undiscounted future cash flows fell short of the carrying amount of the asset group, including goodwill. In measuring the impairment loss, the company has used value in use as the recoverable amount, and the future cash flows used in calculating this value in use are based on the medium-term business plan prepared by the management for Emotion Tech, Inc. The management assumes that aggressive hiring of sales personnel will lead to an increase in the number of new contracts secured and an improvement in the continuation rate, which in turn will increase future sales in the medium-term business plan. These assumptions involve a high degree of uncertainty and are subject to the management's subjective judgment. Furthermore, the estimation of the discount rate used in calculating the value in use requires a high level of specialized knowledge in the selection of calculation methods and input data. Therefore, the audit firm has determined that the reasonableness of the amount recorded for the impairment loss related to the goodwill of Emotion Tech, Inc. is of particular importance in the audit of the consolidated financial statements for this consolidated fiscal year and constitutes a key audit matter.	The audit firm performed the following audit procedures to evaluate the reasonableness of the impairment loss amount recorded for the goodwill related to Emotion Tech, Inc.: (1) Evaluation of Internal Controls The audit firm assessed the effectiveness of the internal controls established and operated in relation to the measurement of impairment losses. In their evaluation, they focused particularly on controls designed to prevent or detect the adoption of unreasonable assumptions, such as comparing the medium-term business plan to past performance and ensuring consistency with the business environment and strategy. (2) Assessment of the Reasonableness of Future Cash Flow Estimates To evaluate the appropriateness of the key assumptions contained in Emotion Tech, Inc.'s medium-term business plan, which forms the basis of the future cash flow estimates, the audit firm conducted inquiries with the management of the company and Emotion Tech, Inc. and reviewed relevant documents. Additionally, they performed the following procedures: ● The audit firm assessed the feasibility of the personnel recruitment plan, which forms the basis of the future sales estimates, by comparing the plan and actual results of the previous period and the most recent period. ● The audit firm evaluated the appropriateness of the assumptions regarding the correlation between the increase in new contracts and retention rates and the increase in sales personnel by comparing the historical trends of new customer acquisitions per salesperson and the number of clients handled per salesperson. ● The audit firm compared past business plans with actual performance to assess the reliability and degree of uncertainty in management's estimates. ● The audit firm evaluated the appropriateness of the sales growth rate, which forms the basis of the future sales estimates, by comparing it with market growth rates from external research organizations. (3) Assessment of the Reasonableness of the Discount Rate Estimate ● The audit firm utilized valuation experts from its network firm to assess the appropriateness of the discount rate calculation method in accordance with accounting standards requirements, and they compared the input data with information obtained from external sources.

Other information

Other information includes information in the securities report that is not included in the consolidated financial statements, financial statements, or audit reports. Management is responsible for preparing and disclosing the other information. In addition, the responsibility of the corporate auditors and the supervisory board is to oversee the execution of duties by directors in the development and operation of the reporting process for other information.

Audit opinion on the financial statements does not cover other information, and the audit firm does not express an opinion on the other information.

As an audit firm, our responsibility for the financial statements is to read through the other information and, in the process, to examine whether there is a material difference between the other information and the financial statements or the knowledge obtained in the course of the audit. In addition to any such material discrepancies, attention should be paid to whether there are any signs of material errors in the other information.

If, based on the work we have performed, we conclude that there is a material error in the other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of management, corporate auditors, and the supervisory board regarding 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. This includes internal controls, as management deems 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 Group’s ability to continue as a going concern, and disclosing as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The responsibility of the corporate auditors and the supervisory board is to oversee the execution of duties by directors in the development and operation of the 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 provide an independent statement in the auditor's report. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the 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 process, and shall:

・Identify and assess risks of material misstatement, whether due to fraud or error. In addition, design and implement audit procedures that address such risks of material misstatement. The selection and application of audit procedures is at the discretion of the auditor. We shall also obtain sufficient and appropriate audit evidence on which to base our opinion.

・Although the purpose of the financial statement audit is not to express an opinion on the effectiveness of internal controls, the auditor should, when performing risk assessments, consider internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

・Evaluate the appropriateness of accounting policies adopted by management and their application methods, as well as the reasonableness of accounting estimates made by management and the appropriateness of related notes.

・Conclude whether it is appropriate for management to prepare the financial statements on the going concern basis, and whether, based on the audit evidence obtained, material uncertainty exists with respect to events or circumstances that may cause material doubt on the Group’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. Although our conclusions are based on the audit evidence obtained up to the date of our auditor’s report, future events or conditions may cause the Group to cease to continue as a going concern.

・Evaluate the presentation, structure, and content of the financial statements, including related notes, and whether the financial statements fairly represent underlying transactions and accounting events, and whether the presentation and disclosures in the financial statements are in accordance with accounting standards generally accepted in Japan.

We shall report to the Audit & Supervisory Board on the scope of the planned audit and the timing of its implementation, significant audit findings including any material deficiencies in internal control identified during the audit process, and any other matters required by the audit standards.

We shall also provide the Audit & Supervisory Board with a statement that we have complied with all relevant ethical requirements regarding independence, and communicate with them on all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. However, we describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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.

Notes: 1. The original copy of the above audit report is stored separately by the Company (company that submits the securities report).

2. XBRL data is not included in the audit.

Key audit matters

Key audit matters are those which, in the auditor's professional judgement, were of most significance in the audit of the consolidated financial statements for the current fiscal year. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the audit opinion. As the auditing firm used, we do not provide a separate opinion on these matters.

Validity of judgment regarding evaluation of goodwill for Emotion Tech, Inc.	
Key audit matters and reasons for decisions	Audit response
As noted in the significant matters "Impairment loss (Consolidated statement of income) Note 4," it reflects that in the current financial year, an impairment loss on investment in an affiliated company shares relating to Emotion Tech, Inc. has been recognized in the amount of 1,634,958 thousand yen on the Company's consolidated statement of income. For investments in unlisted subsidiaries and other shares without a market price, such as those in Emotion Tech, Inc., an impairment loss must be recognized when the fair value of such shares significantly decreases due to a deterioration in the financial condition of the issuing company or a reduction in the expected excess earnings power anticipated at the time of acquisition, unless the recoverability of the value is sufficiently evidenced. The Company determined the acquisition value of the shares reflecting the sexcess earnings power processed in Emotion Tech, Inc.; consequently, at the time of acquisition, the equity interest equivalent to Emotion Tech, Inc.'s net assets was below the acquisition price of these shares. During the current fiscal year, a significant decrease in the fair value of the shares reflecting the excess earnings power was observed, resulting in the recognition of an impairment loss. Similar to the consideration of goodwill impairment losses recorded on the consolidated balance sheet, the valuation of the fair value of shares reflecting such excess earnings power and other factors involves significant influence by the management's judgement on the estimation of fair value. Therefore, the audit firm has determined that the evaluation of the fair value related to Emotion Tech, Inc. is of particular importance in the audit of the financial statements for the current fiscal year, and it constitutes a key audit matter.	In the audit report for the consolidated financial statements, we have determined that the validity of the judgment regarding the evaluation of goodwill for Emotion Tech, Inc. falls under key audit matters, and as such, we have outlined an audit response. Since the content of the statement is substantially the same as the audit response in the audit of the individual financial statements, any specific statement concerning an audit response has been omitted here.

Other information

Other information includes information in the securities report that is not included in the consolidated financial statements, financial statements, or audit reports. Management is responsible for preparing and disclosing the other information. In addition, the responsibility of the corporate auditors and the supervisory board is to oversee the execution of duties by directors in the development and operation of the reporting process for other information.

Audit opinion on the consolidated financial statements does not cover other information, and the audit firm does not express an opinion on the other information.

As an audit firm, our responsibility for the consolidated financial statements is to read through the other information and, in the process, to examine whether there is a material difference between the other information and the consolidated financial statements or the knowledge obtained in the course of the audit. In addition to any such material discrepancies, attention should be paid to whether there are any signs of material errors in the other information.

If, based on the work we have performed, we conclude that there is a material error in the other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of management, corporate auditors, and the supervisory board regarding the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan. This includes internal controls, as management deems necessary, to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, and disclosing as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The responsibility of the corporate auditors and the supervisory board is to oversee the execution of duties by directors in the development and operation of the financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to provide an independent statement in the auditor's report. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these consolidated 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 process, and shall:

・Identify and assess risks of material misstatement, whether due to fraud or error, and design and implement audit procedures that address such risks of material misstatement. The selection and application of audit procedures is at the discretion of the auditor. We shall also obtain sufficient and appropriate audit evidence on which to base our opinion.

・Although the purpose of the consolidated financial statement audit is not to express an opinion on the effectiveness of internal controls, the auditor should, when performing risk assessments, consider internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

・Evaluate the appropriateness of accounting policies adopted by management and their application methods, as well as the reasonableness of accounting estimates made by management and the appropriateness of related notes.

・Conclude whether it is appropriate for management to prepare the consolidated financial statements on the going concern basis, and whether, based on the audit evidence obtained, material uncertainty exists with respect to events or circumstances that may cause material doubt on the Group'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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Although our conclusions are based on the audit evidence obtained up to the date of our auditor's report, future events or conditions may cause the Group to cease to continue as a going concern.

・Evaluate the presentation, structure, and content of the consolidated financial statements, including related notes, and whether the consolidated financial statements fairly represent underlying transactions and accounting events, and whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan.

・Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We shall report to the Audit & Supervisory Board on the scope of the planned audit and the timing of its implementation, significant audit findings including any material deficiencies in internal control identified during the audit process, and any other matters required by the audit standards.

We shall also provide the Audit & Supervisory Board with a statement that we have complied with all relevant ethical requirements regarding independence, and communicate with them on all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

There is no conflict of interest between PLAID or its consolidated subsidiaries and our auditing firm or its executive members pursuant to the provisions of the Certified Public Accountants Act.

Notes: 1. The original copy of the above audit report is stored separately by the Company (company that submits the securities report).

2. XBRL data is not included in the audit.